TAKING THE MYSTERY OUT OF AIR CONDITIONING

A STATEMENT BY AMERICAN RADIATOR COMPANY

AMERICAN RADIATOR COMPANY, as the world's largest organization for comfort equipment, feels it is time that the mystery be taken out of air conditioning, and time too, to tell the average man, living on an average income, what he can expect from this great, new benefit to humankind.

To most people, air conditioning means cooling by refrigeration. First of all, you should know that refrigeration is only one function of air conditioning, and by no means the most important function. Secondly, you should know that there are two kinds of air conditioning — winter and summer air conditioning. And thirdly, that it is just as important to "air condition" in winter as in summer. For this simple reason: the winter season embraces seven or eight months, while the period of intense heat, even in the hottest summer, is comparatively brief.

These Are the Fundamentals of Air Conditioning

Heating. Most people do not realize that heating is part of air conditioning. As a matter of fact, it is the most important part. For modern radiator heating, efficient and economical in operation, *conditions* the air in your home as to its proper warmth — healthful and comfortable — and maintains this temperature, equalized in every room, even including those on the windward side of the house during a winter storm.

Ventilation. As you know, in winter it has been practically impossible to have healthful, fresh air indoors, without drafts. That is why millions of people, every winter, suffer the ill-effects of stale and impure air. Ventilation brings in an adequate supply of outdoor fresh air.

Air Cleaning. This fresh air — as does all fresh air — contains dust, soot and pollen. The air cleaning unit filters these dangerous and unsanitary particles from the air admitted. Thus, with clean air in abundance, your health and your vitality are increased.

Humidification. During the heating season, even fresh, clean air is dry. So humidification is the next step in the proper air conditioning of your home. For humidification adds the proper moisture to room air and is an effective protection against sinus and membrane conditions.

Air Circulation. As air motion is necessary to genuine air conditioning, there should be a flow of the fresh, clean, humidified air throughout your home, day and night. Thus, with air circulation, you are being continually stimulated by air, gentle and refreshing.

Night Cooling. For summer air conditioning of your home, an Attic Fan should be added, to draw out the hot air which accumulates during the day under the roof. This Fan, when operated for about one hour after sunset, brings in night air and reduces your indoor temperature to the same degree as the air outside, thus permitting you to obtain restful and rejuvenating sleep.

Cooling and Dehumidifying by Refrigeration. Above are described the six fundamental requirements for Winter and Summer Air Conditioning. There are two more points for complete cooling in summer: a compressor must be added, (1) to produce a refrigerating effect; (2) to reduce humidity. The latter devices are expensive to purchase and to operate, and are only required in most localities on an average of 18 days in each Summer season.

The first six out of the total of eight points above explained can be obtained, step by step, at a very reasonable price, and on that account are available to the average home owner. After their introduction, home owners can acquire the remaining expensive equipment to obtain cooling or refrigeration and dehumidification if desired.

AMERICAN RADIATOR COMPANY

DIVISION OF AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

40 West 40th Street, New York, N. Y.

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Vol. 58 No. 8 **August 1, 1936**

The Ticker Publishing Co. is affiliated by common ownership with the Investment Management Service and with no other organization or institution whatever. The Ticker Publishing Co. publishes only The Magazine of Wall Street and Business Analyst, issued bi-weekly, Adjustable Stock Ratings, issued monthly and the Investment and Business Forecast, issued weekly. Neither The Ticker Publishing Co. nor The Magazine of Wall Street nor the service affiliated with them have anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

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SUBSCRIPTION PRICE—$7.50 a year in advance in the United States and its possessions, Canada, and Pan-American. Foreign $8.50. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

WITH THE EDITORS

Bigness May Be a Liability

THE Amoskeag Manufacturing Co. of Manchester, N. H., has behind it a history of 110 years. It operated the largest cotton textile plant in the world. In its prime it earned total profits over $50,000,000, employed 15,000 workers and provided about half of the industrial payroll of its home city. Now it is to be liquidated—and that is something to make one think.

Why? Competition in this industry, of course, is intense, due to an overcapacity of production facilities; but other cotton textile concerns have survived and some are prosperous. Taxation had something to do with it, including taxes on unused mill buildings and equipment—and that is something for the City of Manchester and the State of New Hampshire to think about as thousands of former Amoskeag employees are supported on relief at public expense.

One must conclude, however, that the biggest trouble with Amoskeag was that it was too big, too heavily encumbered with funded debt and too deficient in liquid resources to adjust itself to changing competitive conditions. Thus it could neither move to the South, which in cotton textile manufacture has the advantage of proximity to the raw material and of lower labor costs than obtain in New England, nor could it afford to keep its equipment in step with the technological improvements applied by more flexible manufacturing concerns. It became obsolete, much as did the huge mammals that roamed the world millions of years ago. Sheer size could not save them. Neither is large size a guarantee that any industrial enterprise will survive and prosper.

The ability to adjust itself to changing conditions is requisite to the safety and prosperity of any corporation. To a vital degree, this is a matter of management; but the best management has its hands tied if funded debt is burdensome and if liquid resources are inadequate. One good measure of the soundness of a manufacturing company is the rapidity with which it writes down its fixed property account and with which it changes its plant equipment. When plant is carried on the balance sheet at a low depreciated value, there is greater inducement for management to junk machinery *before* it becomes obsolete and replace it with the best that money can buy.

General Electric is a typical example of a highly flexible manufacturing enterprise. Although its production facilities stand it a net cost of $182,000,000, they are carried—after depreciation reserve—at only $35,835,000. Flexibility and a strong working capital position are far more important than size. In the fate of Amoskeag there is a lesson for investors to remember.

Coming Features of Importance

Mid-Year Dividend Forecast

Part I—Appearing in the Current Issue

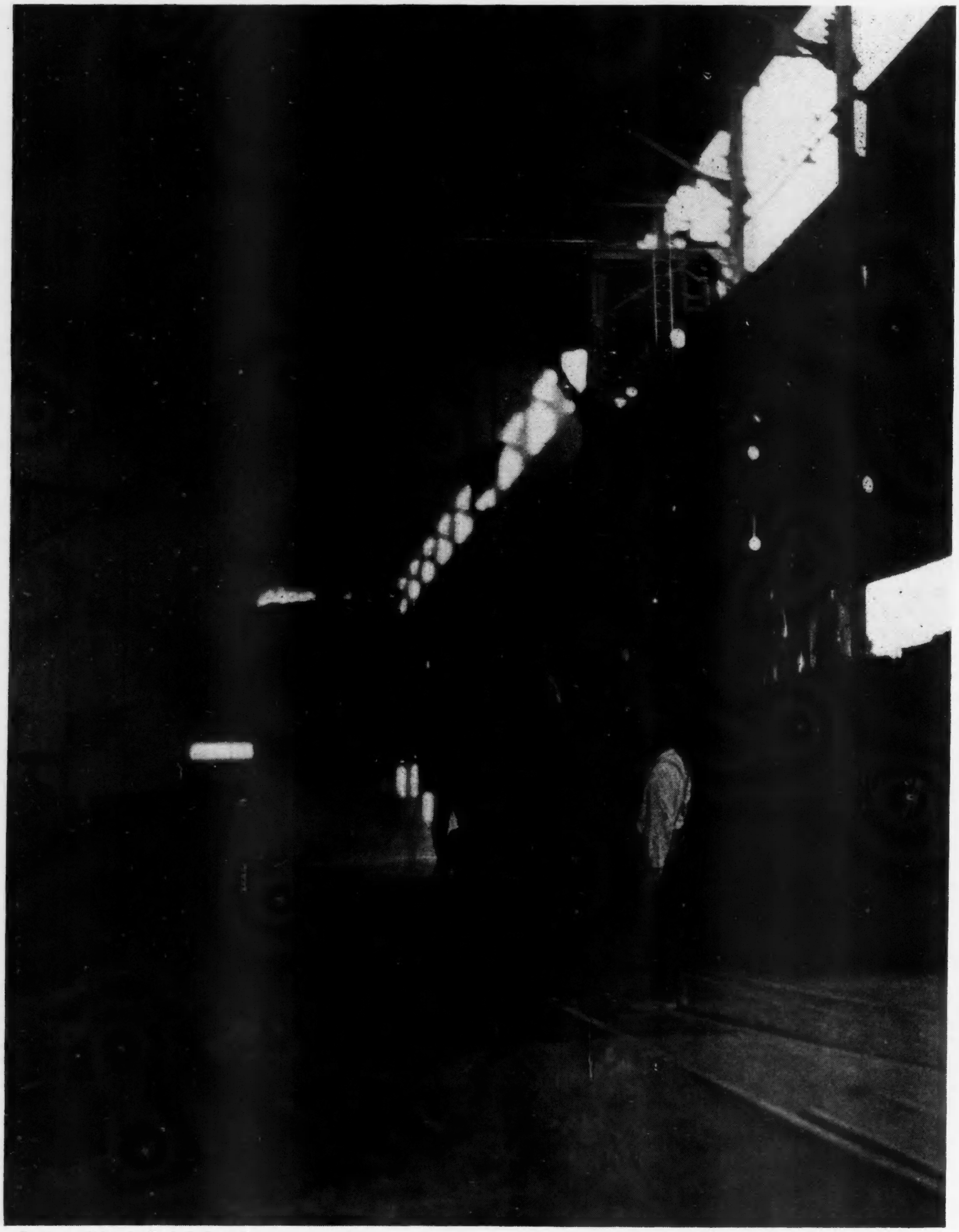
Steel, Metals, Movies, Railroads, Liquor and Equipments

Part II—In the Issue of August 15

Motors and Accessories, Tires, Foods, Chemicals, Tobacco, Public Utilities

Part III—In the Issue of August 29

Oils, Aviation, Building, Chain and Department Stores, Mail Order and Miscellaneous



Courtesy, Colorado Fuel & Iron Co.

While much activity in attempting to organize the workers in motor, rubber and other industries is in progress, the major effort of John L. Lewis and his associates is being made in steel. As the article on pages 454-456 points out, if labor can win in steel there will be small trouble in organizing other lines into industrial unions.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Laurence Stern
Associate Editors

The Trend of Events

Putting on the Brakes

REGARDLESS of the motive, whether a warning to stock speculators or a political gesture toward financial conservatism, the action of the Federal Reserve Board in raising reserve requirements by 50 per cent—effective August 15—has had no psychological effect and will have scant practical effect. On the basis of present excess reserves alone, it is estimated that it would be possible for the Reserve System to expand credit by more than $30,000,000,000. After August 15 the possible deposit inflation would be $15,000,000,000, and certainly large enough.

The Reserve Board states that the easy money policy continues unchanged, that it does not contemplate further increasing reserve requirements and that in any further regulation of the volume of bank reserves it plans to rely on the traditional open market operations. Hence it is not surprising that the stock market has paid no attention to the announced change. It is quite probable that a sufficient number of banks will have to build up their cash resources enough to exert moderate influence on short-term money rates, one expected result being slightly higher rates on Treasury bills.

For the record it should be pointed out that there has been no inflation whatever of private credit—since bank loans are lower now than they were four years ago at the very bottom of the depression in June, 1932—that the threat of an ultimate dangerous inflation in this country still centers largely in the Government's deficit financing and its unbalanced budget, and that the application of the brakes to New Deal spending would be a far more significant development in credit control than the present safeguarding gesture against a private credit inflation which, being non-existent as yet, remains wholly potential and conjectural.

Some Will Like It, Some Will Not

THE speech of Governor Landon in accepting the Republican Presidential nomination was neither a complete statement of policy nor a full exposition of this candidate's political, social and economic philosophies. No such speech ever was. The American people will have a stronger basis for intelligent choice as the campaign progresses and the debate becomes more detailed. That choice in November will be partly between differing policies, more between differing personalities.

From the point of view of the business man and the investor, there will be keenest appreciation for that portion of Governor Landon's speech in which he took

his stand for freeing the American profit system from "incessant governmental intimidation and hostility" and for encouraging a confident initiative on the part of American enterprise which he feels has been held back by governmental actions working at cross-purposes, by lack of confidence in the soundness and stability of governmental policies, and by inept and wasteful administration thereof. Necessarily, this is a matter of opinion. Since Mr. Landon is a business man himself, there is no reason to doubt that his attitude in this respect is wholly sincere.

His general pledge of economy, notably in the administration of relief, is of business interest because related to the continuing soundness of the Federal credit and to taxes. Business men have learned to pay less heed to such promises than to their performance after election. On farm policy and international relations he touched but sketchily but evidently does not propose to deviate in any vital particular from the policies now being followed by the New Deal. The important question of tariff policy he deferred to a later time. His statement of labor policy, favoring the self-organization of workers for collective bargaining without coercion from any source, will displease those labor leaders who believe coercion only by employers should be legally barred, but will undoubtedly be accepted by business men and investors as sound and just.

There for the present must rest the statement of Republican policy as it may affect the business and financial world.

There Will Be No Peace for Spain

WHATEVER the outcome of the Civil war in troubled Spain, political and social stability will remain remote. The ailments of this once great nation are ancient and chronic. On one side is a centuries-old tradition of dominance by monarchy, church, landed aristocracy and the army. On the other side is the rising tide of restlessness among workers, Republicans, Socialists, Communists, Anarchists.

In recent years revolt has followed revolt—Leftist revolt against Rightest government; Rightest revolt, as at present, against Leftist government. The Spanish temperament is such that both sides resort to extremes of violence and cruelty horrifying to nations of democratic tradition. There can be no peace except as imposed by force of arms; and, as in the English Reformation and the French Revolution, many years probably will be required to resolve the basic conflict.

If reports are true that the forces of the Right have the support of the Spanish peasants, that fact is of more than passing significance. It would seem to prove again the absurdity of the dream—dear to the hearts of many of our American radicals—of a Farmer-Labor political alliance. Even the downtrodden Russian peasants were brought into the Communist fold only by force, followed by the slow Communist "education" of a new generation of farmers. In America we have no peasants. The majority of our farmers are landowners, capitalists, bred-in-the-bone individualists. They are Republicans or Democrats—not Socialists or Communists. All recent political polls show them drifting toward the Right. They present a very barren territory for radical agitation.

New Capital Begins to Flow

IT has long been a familiar lament of our economists that while the total of security financing has reached a very high level, the great bulk of it has consisted of refunding operations rather than the raising of the new capital which is so vital to the country's economic expansion and to the prosperity of our capital goods industries. Accordingly, it is a significant and gratifying thing that in the first six months of this year the total of new capital flotations by corporations was approximately $450,000,000—about four times the volume of the first half of last year and the highest figure since the first half of 1931.

True, this total is still a small one as compared with new capital financing during our last period of prosperity. Yet the same somewhat gloomy comment was being widely made not so long ago on the status of construction, the railway equipment industry and other sore spots of acute depression. In each the tide gradually turned and before long each was contributing importantly to the cause of recovery. We see no reason to doubt that it will be the same in the capital market. The raising of money for expansion of plant and equipment very likely will get a marked stimulus after the election in November, for, whatever its outcome, the effect will be to remove much of present political uncertainty for four years. Should it result in substantially bolstering business confidence, new capital flotations unquestionably would mount sharply—carrying us over the top to full recovery.

The Budget Can Be Balanced

IT is easy for political candidates to promise economy in government but exceedingly difficult to translate promise into performance. Almost everybody favors governmental economy in principle, but when it comes to specific retrenchments—there's the rub. The veterans no doubt favor a balanced budget, but not at the expense of veterans' benefits. The farmers favor a balanced budget, but not at the expense of farm benefits. And so on through our pressure groups.

Already Governor Landon is being challenged to state specifically what and where he would suggest cuts. It is pointed out that nearly 80 per cent of the present Federal expenditures go for national defense, veterans' benefits, farm relief and unemployment relief. The most economical President can make scant progress in pulling down the load unless he is given the effective co-operation of Congress in withstanding special pressure groups, each with its pet program.

Nevertheless to contend, as many of our defeatists do, that it will be mathematically impossible to balance the budget for a long time to come is patently absurd. In the boom years 1924-1929 the average annual routine

expenditure of the Government was around $3,500,000,000. For the present fiscal year, assuming continuation of the underlying economic recovery, the Government's revenues will approximate $6,000,000,000—the highest, with the exception of 1920, in our history. Therefore, if expenditures for normal governmental functions were held to the level of 1924-1929, there would be left out of present revenues a total of $2,500,000,000 for unemployment relief, public works and all other so-called emergency needs. Surely that should be ample for all reasonable requirements. Given the will in the White House—plus strong public support—the job can be done and done very soon.

Second Quarter Profit Showing

SUCH second quarter corporate reports as have thus far been issued indicate that American business in this period earned more money than in any quarter since recovery began. Since there is little to suggest the probability of a significant reversal in the underlying economic trend during the rest of the year, it is evident that the new Federal tax on undistributed earnings will induce scores of companies to increase their dividend distributions between now and December 31. It would be logical to expect an especially heavy dividend stream in the month of December as companies take action in advance of the year-end tax deadline after holding off as long as possible in order to estimate the outlook.

A study of sixty-six large corporations made by the *Wall Street Journal* shows that the new tax, if applied on the basis of last year's earnings, dividends and undistributed income, would have represented an increased tax load of approximately $50,000,000; and that to escape the tax penalty entirely—paying no more than the former Federal income tax—they would have had to increase their aggregate dividend disbursement by some 75 per cent. Not all such companies, of course, will be willing to increase dividends that much or find it imperative to do so.

Yet both because of the tax and rising profits, the dividend outlook is the most favorable in many years. Already the effects are beginning to be seen in dividend declarations; for example, a $4 dividend voted recently by the Chrysler Corp. in anticipation of the penalty tax. It should be borne in mind, however, that because of the wholly new problem of accounting introduced by the undistributed profits tax, the earnings statements now coming to hand will have to be scrutinized with care if a misleading impression is not to be given. Companies which have not decided dividend policy can only make allowance for normal income tax, and year-end accounting adjustments, like dividend payments, will be unusually important and numerous.

Retail Buying Spurts

DESPITE widespread drought, reports of retail trade throughout the country make a remarkably optimistic showing. While it unquestionably betters the national average of retail trade gains, the most recent sales report of Sears, Roebuck & Co. is significant of the current trend since its business covers the country. For the four weeks ended July 16 this company's dollar volume was 32.5 per cent above that of the corresponding period last year. For the preceding four weeks the gain had been 26 per cent and for the twenty-four weeks ended July 16 it was only 22.1 per cent.

Hence the second half of June and the first half of July produced a marked acceleration in this company's previous rate of sales gain. It was on June 15 that ex-service men began cashing their bonus bonds, and over the period for which the above sales report was made such bonds were being cashed at the rate of about $50,000,000 a day. Apparently, therefore, the bonus distribution has had a marked effect. Both because trade volume was in a firm and basic upward trend before this special and temporary stimulus made itself felt and because the flow of the bonus cash at first, second and third hand will continue for many weeks, there is little danger of any significant trade relapse.

Reporting Transactions Over the Counter

THE proposal of the S E C looking to establishment of a system for reporting purchases and sales of securities in the over-the-counter market will unquestionably meet with favor among investors. The problem, however, is by no means a simple one. There would have to be some kind of central organization, probably of the dealers themselves, through which to register transactions much as the present bid and asked figures on over-the-counter securities are posted. It is an open question whether the S E C, without elaborate policing, could make certain that reports of transactions would be either accurate or complete. Finally, such reports would be of no public value unless published in the daily newspapers. Whether the newspapers would go to this expense would depend entirely upon their judgment as to the extent of public demand for this service.

The Market Prospect

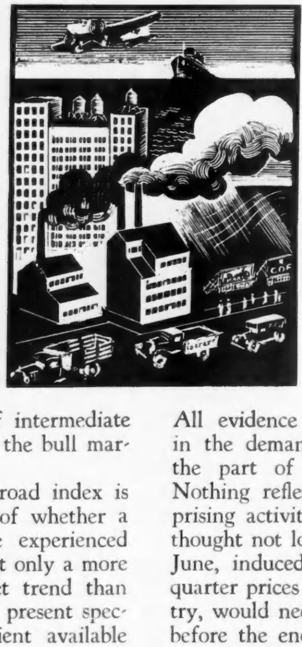
OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 449. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, July 27, 1936.

What's Ahead for the Market?

By A. T. Miller

THERE has been enough strength in favored groups and specialties during the past fortnight to lift all of the more volatile market "averages" to new highs for the year and for the recovery cycle. In the interpretation of many speculators, this performance supplies confirmation of a renewed advance, as distinguished from an intermediate rally, and should hence tend to bring in fresh demand, even though speculative sophisticates may hold off in the hope of early technical reaction after a full two weeks of line advance with virtually no corrective pause.



Whereas the recent movement has continued to have a good grade of industrial and rail leadership, it is beginning to show a tendency to broaden out. This is reflected in increased strength and activity in a considerable number of stocks of low or medium price. As a result this publication's decidedly realistic average of 295 stocks has shown a much more convincing spurt over the fortnight in review than in any previous period of the recovery from the lows of late April. As this is written it stands more than 9 points above that low of intermediate reaction and only some 4 points under the bull market high.

We venture the opinion that this broad index is on its way to a new high, regardless of whether a normal corrective interlude should be experienced before that objective is reached. It is not only a more realistic measure of the general market trend than the more selective "averages" but under present speculative conditions is the most convenient available tool for use in appraising the technically important matter of restricted marginal accounts. Any index heavily influenced by such high priced issues as Allied Chemical, American Can, Chrysler, Eastman Kodak, du Pont, International Business Machines and Westinghouse Electric necessarily can throw little light on the current status of the general run of marginal accounts. The recent broadening of the advance, as reflected in our average of equities which represent 90 per cent of the total market activity, makes it certain that a great many accounts still restricted up to a fortnight or so ago have now become unrestricted. This releases fresh speculative buying power and is a favorable technical factor to be taken into consideration.

About the only quarrel the most captious can pick with this market at the moment is that it has had a longer than usual upward move without more than nominal technical correction. A plausible case can be made out for a short-term reversal in the near future, both on technical and external grounds. The Landon acceptance speech, anticipated hopefully, has been delivered. Second quarter earnings statements of various important companies have been issued and more will become past history over the next week. The business indexes, sustained beyond the point of usual summer reaction by at least some abnormal factors, may be expected soon to show some recession.

Recognizing the possibility of a temporary reversal, is it worth while for the average trader to play for it? The answer is an emphatic no. Playing for reactions in a bull market or rallies in a bear market constitutes not intelligent speculation but sheer gambling. The market for sixteen months past has paid dividends on sound selection and patience, and the biggest rewards have come to traders who have followed essentially an investment technique on conservative margin.

As for the longer outlook, from the investor's point of view, recent trends have merely confirmed more strongly the previous grounds for optimism. All evidence points to remarkably sustained vigor in the demand for goods of virtually all kinds on the part of business buyer and consumer alike. Nothing reflects this more accurately than the surprising activity of the steel industry. It was widely thought not long ago that forward buying of steel in June, induced both by anticipation of higher third quarter prices and fear of labor troubles in the industry, would necessarily result in a considerable relapse before the end of July. Nothing of the kind is yet in sight. Demand for nearly all products, in fact, has been so well sustained as we near the close of July that it is to be doubted steel operations in August will drop more than moderately below the average level of July, and it seems apparent—regardless of the approach of what is expected to be a close national election—that the industry's third quarter volume will be the most satisfactory in years.

The current rate of production in this key industry is at 71 per cent of capacity, which means that with allowance for enlargement of facilities in recent years it is not far from the pre-depression average and still closer to the limit of that portion of productive plant which can be regarded as not obsolete. Both demand for quicker shipments and the willingness of buyers to place business at the raised third quarter prices convinces steel men that the great bulk of present output is going into current consumption. The *Iron Age,* leading steel journal, takes the broad character of this demand to suggest that we have

Economic recovery shows surprising contra-seasonal vigor, strengthening the long present basis for investor confidence in the outlook. We believe selective advance in the market is subject only to normal technical corrections over the near term.

"proceeded further in the recovery cycle than had been generally believed."

Production of automobiles for the latest week reported was 97,768 units, a very moderate decline from the 100,648 units turned out in the preceding week and more than 18 per cent higher than in the same week of last year. A projection of the current trend suggests the probability that output of cars and trucks this year will equal or slightly exceed that of 1928, second most active year in the industry's history.

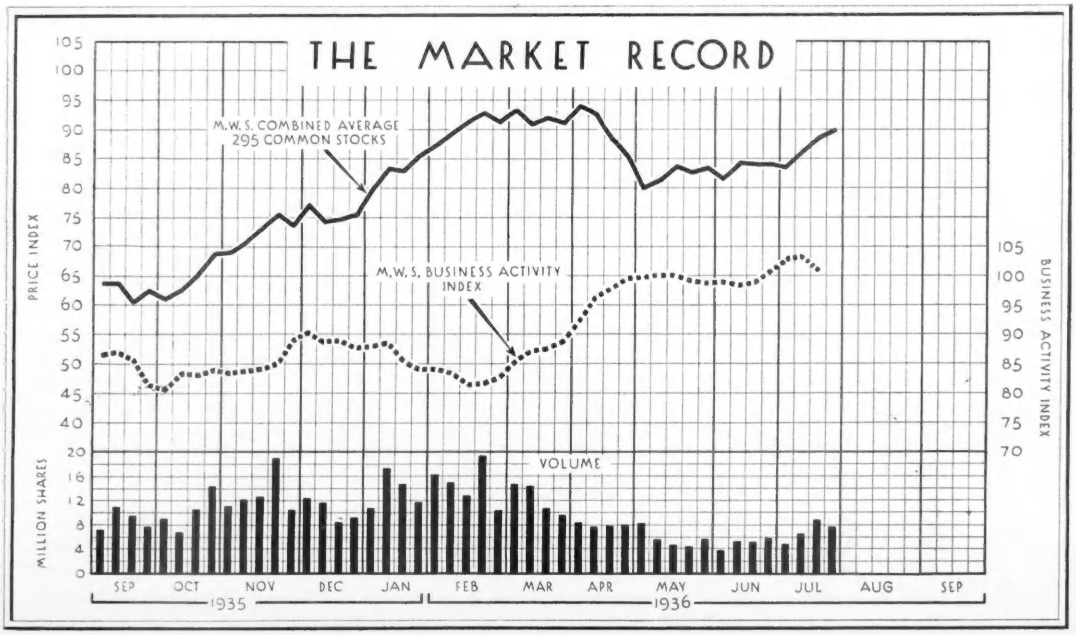
Moreover, as in the previously anticipated reaction in steel operations, it is beginning to appear that the expected slump in motor activity incident to the coming change-over to the 1937 models may not be as extensive or protracted as was thought likely not long ago, since some plants have recently adopted the policy of running off many parts for the new models while continuing production of 1936 cars. Two companies, Studebaker and Packard, have already halted production of 1936 cars. Others will follow over the next few weeks. Average shut-downs of five to six weeks are likely.

Thus far such sectional loss in retail trade as has been caused by the drought has been more than offset by continued gains in unaffected areas and by the evident stimulation of the veterans' bonus cash circulating at first, second and third hand. Thus sales by mail order concerns, reflecting the national trend, have in recent weeks shown a substantial acceleration of the previous rate of gain.

In some measure the drought has been relieved by scattered rains; and on the evidence of the effects of the 1934 drought—as discussed here a fortnight ago—it is improbable that the present farm affliction will prove a major factor in the 1936 business aggregate. Yet it must be conceded that much will depend on what happens in the great corn belt over the early future, for a drought disaster there—still threatened as this is written—would be of much greater economic importance than the losses already past history in wheat areas.

Next to drought, the fear of labor trouble in the steel industry—possibly spreading later to other mass production industries—has been the most important fly in the speculative ointment. The recent stronger action of the leading steel issues can be taken to mean that this fear has waned greatly, whether because of the prospect of a serious break in the national labor ranks or because of conviction that any possible strike is some distance ahead.

We are reluctant here to introduce political considerations as a stock market factor, yet they have very definitely come in recent years to play a part in speculative and investment reasoning and in business sentiment. Suffice it to say that Governor Landon's acceptance speech is regarded by the stock market with favor. Particularly to his assertion that business must be freed "from incessant governmental intimidation and hostility" and to his contention that "the time has come to unshackle initiative and free the spirit of American enterprise" the stock market will say "Amen!"



Etching by James E. Allen, Courtesy Kennedy & Co.

Labor Storm Brewing —in Industry —in Politics

By Daniel Cronin McCarthy

Daniel Cronin McCarthy is the pen name of one long high in the councils of the American labor movement who for obvious reasons cannot permit the use of his real name. Our readers will recall earlier articles by him which, as events have proven, were deadly accurate in statements of fact and in conclusions.—Editor.

THE decision of the American Federation of Labor to postpone action on the case of John L. Lewis and his Committee for Industrial Organization until after August 3, affords a breathing spell in which to appraise and consider the chances of the great steel strike he has threatened, and the repercussions of the industrial union movement he is leading on labor, industry and politics.

It also affords time for the Administration and forces within the Federation to prevent what is now on the slate—the suspension of Lewis' union and those associated with him.

It is to violate no secret to say that President Roosevelt is as sincerely and keenly interested in avoiding a split as any other person in or out of the Federation, that all the force and influence of the Administration is being and will be continued to be used to that end.

As this is written, it is not clear how this end can be gained unless one side or the other eats sizable doses of crow. Lewis has taken what in most men would be an irrevocable, nonreversible position. It seems clear as dawn that the craft unionist will not quit.

However, when it is recalled that in 1919, in a more crucial situation, Mr. Lewis, after assuring Samuel Gompers he would fight an injunction, changed his mind overnight leaving Gompers out on a limb, there is a chance that he may change positions again.

Then his explanation was "I am an American, I cannot fight my country." With that as a precedent he may find it easy to say: "I am a trade unionist. I cannot fight the

Federation" or words to that effect. Possible but unlikely.

And it should further be noted that since the days of Gompers, but in less degree, the Federation has had a genius-like ability to work out compromises, the most recent demonstration of which was the healing in the Atlantic City Convention last October of a seeming impossible breach in the building trades.

Mr. Lewis' Attitude

Perhaps the best indication of what Mr. Lewis himself thinks of the situation is the speech he made before the National Press Club in Washington the day the Council deferred action on his case. Some 900 members of the Club and their friends crowded the Club Auditorium to hear him speak on "American Labor at the Cross Roads." They had reasons for expecting him to snort fire and brimstone at his foes in the American Federation of Labor and in ringing, dramatic tones denounce its past and present policies.

But Mr. Lewis did no snorting. There was no brimstone. There was no mention of the Federation nor of any of his foes therein. There was in fact no mention of any cross road, much less a labor cross road—just a mild philosophical discourse on the right of men to organize, of the hardships of West Virginia miners until N R A came to the rescue and that classical standby of labor leaders of all stripes and colors always safe—an attack on Mr. J. P. Morgan.

Mr. Lewis said less after the decision of the Council to put him and his associates on formal charges. Then he said exactly nothing.

The Council in fact, had outsmarted him. Suspension without trial would leave the door open to mandatory injunction proceedings. Suspension after formal charges and a trial would not.

Steel Forces the Issue

It was the second time he was outsmarted within a few days. The American Iron and Steel Institute earlier had passed the buck to him in a shrewdly worded declaration that, in substance, told him to strike and be hanged. Probably intended to force him to strike before he is ready, it, in the opinion of most labor experts, including most government observers, deposited him in a cavity. If he hopes to win, he cannot expect his newly organized followers in steel to be patient and bide his time for the psychology of the newly organized always is: "When do we strike."

Advantage of this psychology may be taken by the Communists who are for Mr. Lewis to a man and a bloody revolt in the steel regions, not because they love Mr. Lewis who bars them from his United Mine Workers, but because they love to fish in troubled waters, something that won't help Mr. Lewis, whose job just now is to head off, not start a strike.

Nor will he be helped in the steel campaign by the fact that when striking steel workers in the Portsmouth, Ohio, plant of the Wheeling Steel Co. applied to his C. I. O. for aid, it was refused and it was left for James F. Dewey, of the Conciliation Bureau of the Department of Labor to get the best terms possible for them. These consisted merely of promises to take back men not guilty of violence at their old rates of pay and no recognition of the union. Many will never go back.

The C. I. O. did not start this strike. It was called by the Amalgamated Association of Steel, Iron and Tin Workers, which C. I. O. has taken over stock and barrel and in whose name Lewis is working in the steel areas.

Men as close to Lewis as he will permit any man to be—he is one of few close friends and fewer intimates—say that he has doubts if he could win unless—and this is where the Steel Institute's strategy counts—he could postpone action and paralyze the business at the peak of the campaign thereby forcing Presidential intervention.

The President is and has been, as noted above, friendly to Mr. Lewis, too friendly to please many, but it's a far more reckless man than I who would venture to predict that he could force Mr. Roosevelt to do anything or, force failing, maneuver him into a position where he would have to turn fireman and save Mr. Lewis' child.

Without such political aid no one whose opinion is worth words believes he could win a steel strike.

"The meanest thing the Federation could have done, was to turn steel over to Lewis and tell him to go to it with its blessings," declared one leader who is not at all unfriendly to Lewis.

"The meanest thing Lewis could have done was to turn over the $500,000 he says he will spend on steel organizing to the Federation and tell Green to go to it.

"In the one instance, Lewis would become the goat. In the other Green."

The steel companies have been getting ready for trouble since that day in June, 1933, when N I R A became law. Mainly they have worked under the direction of Arthur G. Young, formerly head of Industrial Councellors, Inc., an organization formed by Rockefeller interests to direct their labor policies. Young is one of the very few labor "experts" in the employ of big business who knows what it is all about. But it is to be questioned if Lewis and his chief aides do not know pretty nearly everything he has been doing. In the mining field Lewis has an excellent intelligence system that frequently, as in the case of his one time enemy No. 1, Frank Farrington, of Illinois, gave him real results and he's not the kind to reject instruments or methods of proven worth.

Present Strength of Industrial Unions

But Lewis has other troubles than with the American Iron and Steel Institute. He boasts 12 international unions in his line up. Some of these, notably the Needle Trades Union of New York and the International Typographical Union, are strong. On the other hand, one is so poor it has paid no dues to the Federation for six months. Others are not much stronger.

But—and here's one joker—the International Typographical Union, over the signature of its president, Charles P. Howard, has notified Federation officials that it is not in the Lewis movement.

Mr. Howard, says the notice, is acting as an individual. For the Union to act, approval must first be had from a convention that is not effective unless and until approved by a referendum of its members. The Salvation Army's Santa Clauses will be on every city street corner before that can be completed and the question will have become academic. There is serious doubt as to how far other unions will go.

In so far as automobile, rubber and other industries go, there is much activity in the organizing line. There probably will be some purely local disturbances. Just now there is serious bother in the big radio-phonograph plant in Camden, inspired by admirers of Mr. Lewis, if not by his associates. Currently it seems to be burning out.

How much Lewis and his associates do in these industries depends on their success in steel. If they win in steel they will have small trouble in organizing other lines.

Then, as in steel, Mr. Lewis' headaches will begin. It is inconceivable that in steel or any of the others he will get the check off system under which union dues and assessments are deducted from pay checks by the employer. The types employed in mass industries do not as a rule like to, will not, in practice, pay dues unless compelled to. Without the check off Mr. Lewis' own union, the United Mine Work-

(*Please turn to page 495*)

Happening in Washington

By E. K. T.

Credit control step by Federal Reserve Board in increasing reserve requirements is more preparatory than currently effective. Banks will be able to lend less of their money but will still have reserves ample to meet all business needs. The 50 per cent increase in required reserves may wipe out excess reserves of some individual banks but these will not need to curtail commercial loans as they can sell government paper or draw on their deposits with other banks.

Easy money policy of Reserve Board continues. Excess reserves remaining after new rule becomes effective August 15 will still be far above what country has seen prior to last two years, so no increase in money rates is anticipated. Reserve Board feels its action should increase confidence of investors by showing that Board has courage to attempt, within the limit of its powers, to check inflationary credit expansion. It hopes, thereby, to encourage sound business expansion. Supply of investment funds will still be in excess of demand, a condition which the Board approves.

Precaution against inflation is the explanation. Reserve Board sees no present excessive boom based on credit If such were the case its action would be deflationary; would require contraction of lending. Coming at present time boost in reserve requirements is largely warning that credit will not be allowed to get out of hand. The action has long been contemplated because of inflow of foreign gold swelling reserves. Coming now it doesn't hurt, but it would hurt if postponed to a period of greater credit use.

Reserve requirements could be upped again but won't be for long time to come. Present raise brings excess reserves in range of control of open market operations, i. e., credit can be controlled through selling Reserve system's holdings of government securities.

Deficit financing thus remains key to commercial credit situation. Reserve Board is unlikely to unload its governments as long as Treasury continues new borrowings. If and when federal budget is balanced open market operations could be brought into play to influence bank credit.

Long range farm plans are now coming to the fore. These involve aiding removal of farmers from drought area and other sub-marginal lands to greener pastures; also deterring them from going to equally poor sections. (Local pride will be hurt, politicians enraged.) Soil-saving farming methods, already started under federal payments, will be expanded. Abandoned land will be seeded to tough grasses to prevent dust storms. Thousands of little dams will be built on streams and washes to prevent erosion, hold rains when they come.

Crop insurance likely to be next year's farm panacea. Both political parties flirting with idea. Wallace and farm leaders studying plans. Experts think it constitutionally and actuarily sound. Also it looks like answer to New Dealers' prayers for workable system of crop control, parity prices, soil conservation, and planned economy. Briefly, Government could issue policies insuring normal yield of various crops (not guarantee price). Total coverage limited to acreage planners think proper.

Farmer could work out premiums by soil-saving operations on his own farm, or both premiums and benefits could be payable in the commodities insured, thus giving government big stocks of staples (Wallace's ever-normal granary) to stabilize prices. With all of country's crops and regions covered, insurance premiums could be big enough to cover huge losses to certain crops several years running.

Idea appeals to farmers because voluntary and offsets greatest hazards, weather and insects; appeals to planners by giving indirect but ample control over farming methods and total harvests.

Labor party in 1940 is unannounced goal of industrial union leaders operating in their alter egos as heads of Labor's Non-Partisan League (for re-election of President Roosevelt). Present New York State labor party is a flier. Old line A. F. of L. men, while for Roosevelt, favor traditional method of working through both parties. Lewis group foresees break-up of both major parties at end of Roosevelt's second term and hopes to provide nucleus for all liberals, if possible absorbing present minor groups—Socialist, Lemke-Union, Farmer-Labor, LaFollette-Progressive.

Washington Sees

Easy money policy continuing, with preparation against distant credit inflation.

Revamping of farm-aid policies on a long-pull basis, including resettlement and crop insurance.

Labor Party movement in the making.

Co-operative attitude by Labor Department in applying government contracts bill, but trouble in the offing.

Long period of business uncertainty over Patman law meaning; big accounting problems.

Big job in tagging all workers with old age pension numbers.

Political panaceas still popular.

Renewed interest in business self-government via trade practice codes.

But corraling farmers will be difficult, as they want high farm prices, labor wants cheap food.

Scope of Wagner act may be determined by Supreme Court along lines used by Court of Appeals in New York circuit, which decided simultaneously that National Labor Relations Board has no jurisdiction over a clothing manufacturer but does over Associated Press because latter is definitely engaged in interstate commerce. *If Supreme Court sticks to traditional conception of interstate commerce, ignoring labor view that fabrication of goods is but a step in interstate commerce from producer to consumer, Wagner act may be held valid but not applicable to bulk of nation's employees.*

Caution on government contracts law (Walsh-Healey) marks preliminary actions of Labor Department in planning for its enforcement. Definite regulations not due for a month. N R A pitfalls will be avoided in fixing minimum wages under government contracts. Full hearings will be held, findings and conclusions published, industry consulted. Present hope is to do nothing revolutionary or drastic.

But many problems of law's interpretation remain to be worked out and the extent to which government suppliers will be hampered is not yet clear.

Price discrimination headaches for business men will continue for many months under new Robinson-Patman amendment to Clayton act. Federal Trade Commission will not issue interpretations or regulations; distributors will have to make their own guesses, wait for commission to put through a few test cases. Thousands of letters pouring in but less than half dozen so far embody what commission considers real complaints of violation worthy of even preliminary investigation.

A & P's action in discontinuing newspaper advertising of national brands not expected to become general. Law does not prevent advertising allowances to retailers but requires they be justified by service rendered and offered to all on proportionately equal terms. Many big distributors, uncertain as to what they can do, are stopping all allowances and discounts to be on safe side, playing wait and see game.

Wide World Photo

Federal Trade Commission is gaining in authority and scope of its jurisdiction over business

Goodyear's cancellation of Sears, Roebuck tire contract sensational, but does not mean that Patman law outlaws private brands or quantity discounts.

Manufacturers' problem is to fix quantity discounts on basis of actual savings, which means big job for cost accountants and eventually big court battles over various accounting methods.

Investment trusts are due for many worries in next few months, between new tax law on inter-corporate dividends and undivided surpluses, and S E C study of past and present practices which has now reached stage of public hearings. Later may result in recommendations for federal control legislation.

Maritime Commission to be appointed by President will do much to determine future of American flag shipping by adjusting postal contracts, subsidies, and interpreting compromise law rushed through Congress at last minute. President apparently in no hurry to get commission set up.

Paternalistic effects of 1935 utility holding company act have first application in S E C's action in getting Sioux City Gas & Electric to revise a proposed debenture agreement in what S E C deems the interest of investors. *Unlike 1933 securities act which only requires that investors get the whole truth and nothing but the truth, utility act permits S E C to exercise its discretion and judgment in overruling that of company management. More such will follow.*

Social Security registration will get under way late in fall amidst fear and trembling by SS Board lest cry of regimentation be raised. To insure 30,000,000 workers their proper pensions at age 65 each must be provided a master record card of earnings and pay-roll taxes paid by or for him, necessitating a number for each, like insurance policies. Board had to abandon finger-print identification because of popular association with criminals, but many object to idea of carrying a number through life. Employers will be asked to aid board in registration.

Political preferment in doling out relief and emergency jobs will be charged continuously through the campaign. Truth is that local politicians being pretty much of same stripe, this would happen under any administration which attempts to center everything in Washington while giving party workers a finger in local application. Real problem is development of system of relief (in broadest sense of term) which will in itself side-track politics and give more assistance in raising national income per dollar of tax money spent.

Alliance of Utopians under Townsend-Lemke-Coughlin-Gerald Smith banner fails to arouse Washington political observers who have seen such third party efforts in the past raise more heat than votes. Election of a few Congressmen from sections which regularly send mavericks is most that is expected, but some like to speculate on what would happen if Lemke drew enough electoral votes to prevent either Roosevelt or Landon having majority, thus

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How Real is the Gain in National Income?

Fifty Three Billion for Last Year Represents Large Gain Over Former Years

By LAURENCE STERN

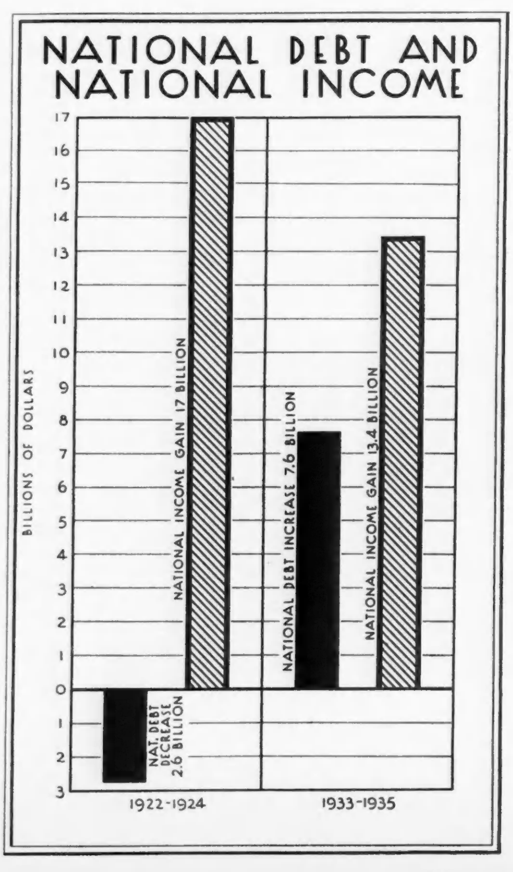
DURING the next several months the country will listen to a raging debate as to what the New Deal has cost and whether it has been worth it. This article will confine itself to some highly interesting figures now available and will let the reader draw his own conclusions.

The broadest index that we have of our national economic trend is the estimated national income. The most authoritative study of the national income is that made by Robert R. Nathan, chief of the Income Section, Division of Economic Research, of the United States Department of Commerce. As recently issued, this shows that our national income in 1935 was 53 billion dollars, an increase of 4.6 billion dollars over 1934 and of 13.4 billions over that of the year 1932, which was the low year in national income for many years back.

Already this gain in national income is being cited as justification for the spending policy followed by the Roosevelt Administration. Leaving aside such controversial matters as the Government's holdings of recoverable assets on the one hand and its contingent liabilities on the other, it is fair to say that the increase in the net Federal debt between the time Mr. Roosevelt assumed office and the close of 1935 was approximately 7.6 billions of dollars.

Therefore, the President will argue in his campaign, we have done well by ourselves; for at a cost of only 7.6 billions in Government debt there has been produced a gain of 13.4 billions in the national income.

No one will deny that such a gain in the national income is a good thing. In the same way, half a loaf is better than none—but it is valid to raise two questions. First, would it have been possible for the American economic system and the Government, working in harmony, to have produced a still bigger gain in the national income over a shorter period of time? Second, would it have been possible to produce such a gain at less cost?



There is no point in arguing the matter—but it is decidedly interesting to look back over the record and see what happened to the national income in the unmanaged recovery from the 1920-1921 depression. It will be noted that from a depression level of 52.6 billions in 1921, the national income in the following two years—1922 and 1923—increased by 17.2 billions to a total of 69.8 billions.

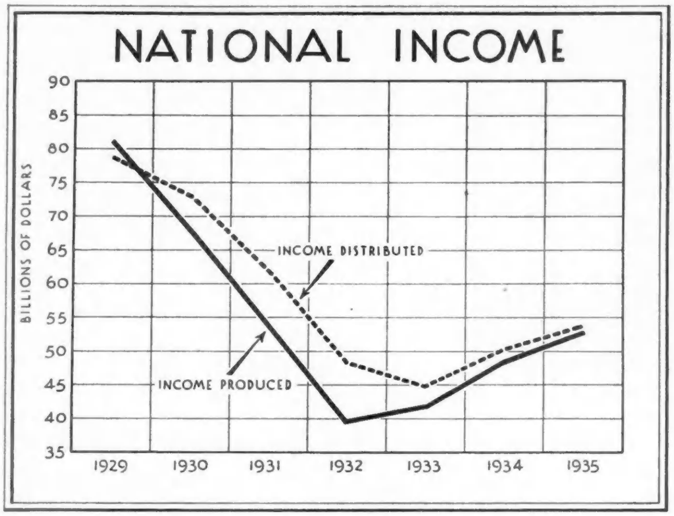
Moreover, that gain of 17.2 billions in two years cost nothing in terms of national debt, for the Government in that period was paying off its debt at the rate of nearly 1 billion dollars a year.

As a nation for the past three years we have been in a position something like that of an individual who earns $50 a week but who gets an income of $55 a week by going to the bank every week and borrowing $5. When he begins paying it back at the same rate, forgetting about interest, his retained income becomes $45 a week and has not really been changed in the deal. There is no question but that inflation of the public debt has inflated the national income.

To bring home the point by an extreme example, the Ger-

man national income—in terms of marks earned—multiplied ten-fold before the German inflation got really started. There came a time when that money income doubled every few days before the bubble burst.

There is no intention here to imply that our position is analogous to that of post-war Germany, but the example brings home the fact that there is a large element of illusion —hocus pocus, if you will—in the expansion of the national income that has resulted in substantial measure from expansion of the Federal debt. There is also an element of illusion in a national income gain which, along with an actual recovery in the physical volume of goods and services produced, also reflects a substantial and wholly unreal appreciation as a result of a rise in commodity prices and in the cost of living.



Therefore, while the precise relationship between inflation of the Federal debt and our gain in national income may be debatable, it would seem reasonable for the purposes of this comparison to deduct from the three-year gain of 13.4 billions the three-year cost of 7.6 in Federal debt. Hence, we arrive at a figure of 5.8 billions as the net gain in dollar volume of national income under three years of the New Deal. Under the much lambasted Old Deal of 1922 and 1923, the comparable gain in national income was 17.2 billions or nearly three times as large.

Again, bear in mind that 1922 and 1923 were not boom years. The inflation of the stock market and of new financing did not get under way until 1924 in any important measure. Moreover, there was no commodity price inflation during those years. The price index of the Department of Labor (1926 = 100) had fallen to 97.6 in 1921 from a 1920 high of 154.4—a collapse both faster and more extreme than the price deflation of recent years—and for 1922 it was only 96.7, rising slightly to 100.6 in 1923.

In marked contrast, the same index between March, 1933, and the close of 1935 advanced by approximately 33 1/3 per cent. Mr. Nathan in his study of national income correctly points out that real changes in national income—as measured by physical volume of goods and services produced—are more vital than changes in dollar income, but there is no statistical method by which this computation can be made. Hence we can not adjust an estimate of dollar national income accurately by making allowance either for variations in the available price indexes or in the cost of living.

Nevertheless, it can not be disputed that a rise of 33 1/3 per cent in the Labor Department's price index in the years 1933-1935 and a substantial increase in the cost of living over the same period have *tended* to inflate the dollar national income, though the precise degree by which the physical volume of goods and services produced has fallen under the dollar gain can not be even conjecturally arrived at. Nor can it be disputed that in our unmanaged "Old Deal" recovery of 1922 and 1923 there was no price rise to distort the picture, so that the reported gain in national income for those two years was certainly more nearly a real gain in physical volume of goods and services produced than has been the dollar gain in national income reported for the three years 1933-1935.

Hence it is conservative to hold that in the two years 1922-1923 our real gain in national income was more than three times the gain shown for the past three years of New Deal managed recovery.

This leads us to another interesting comparison. From the low point of the depression up to the close of 1935, the Government's deficit financing plus importations of gold increased bank deposits by upward of 12 billion dollars. In 1922 and 1923 bank deposits increased only 5.5 billions of dollars. In other words, a bank deposit gain less than half that of the past three years proved — in terms of national income—three times more effective in the years 1922-1923 than did the far larger inflation of bank deposits over the years 1933-1935.

What does this mean? It can only mean that our people were using their bank deposits more actively in 1922-1923 than they have done in the last several years. The distinction is vital, for you can lead a horse to water but you can not make him drink. As to *why* they have not used their bank deposits as actively under the New Deal as they did in the recovery of 1922-1923, we will let the reader decide for himself whether certain Administration policies and experiments did or did not limit the recovery in national income which we might otherwise have had, and whether they did or did not reduce the speed of recovery.

For ourselves, we will merely point out—as the record undeniably shows—that, without Government management, we have had bigger and faster recoveries in national income after past depressions than that to which the New Deal will be pointing with pride as the campaign winds its way toward November.

You will hear optimistic political estimates that the national income for 1936 will be 60 billions. It is to be doubted that this year's economic activity, however favorable, will exceed that of 1935 by as wide a margin as 1935 topped the relatively poor year 1934. Hence, the gain for 1935 having been 4.6 billions, our guess is that it will hardly exceed 5 billions for this year, bringing the figure to 58 billions of national income produced and the four-year gain under the New Deal to 18.4 billions. Against this the offset in increased Federal debt—including the veterans' bonus borrowing—will almost certainly top 11 billions, leaving a net gain in dollar income of some 8.4 billions for the first Roosevelt term.

This, even without any allowance for price variations, would still remain less than half the real gain in national income produced in the quite ordinary years 1922 and 1923—when the Government was returning to "normalcy" as fast as it could in reaction from the war excitement and when the public debt was rapidly declining. Maybe conditions were different then. So they were. For one thing, we had less Government planning and more business confidence.

Crop Outlook Points to Better Business

By C. S. Burton

WHEN we were much younger, we owned a "paint" pony, the pet of all the kids of the neighborhood. They rode him bareback with only a halter. He largely carried light-weight doubles and sometimes triples and was as careful of careless, sprawling youngsters as a big affectionate dog. When a new hired man was taken on, although forbidden, it was inevitably planned for him to saddle and ride the children's pet. Once was always enough. The kids' Newfoundland dog of a pony turned into the meanest piece of horse flesh imaginable. If the rider sat through everything else, Paint laid down and tried to roll over him. He was an equine contortionist until the saddle was off his back.

Many phases of Nature prove Paint to have been one of her legitimate children. We do a lot of proposing, the disposing still lies in other hands. We make up our minds to do a nation-wide, Olympian job of regulation; such as only immortals might contemplate, teach Jupiter Pluvius to wear a curb bit and carry a saddle, all farm activity to keep perfect rhythm and what happens?

We can ask what happens, we cannot make answer for some months to come. Agriculture cannot count gains or losses from week to week or month to month as industry does. Yet it is undeniable that the progress of the crops toward the goal of a fall harvest is a business factor of varying importance throughout the growing season.

How Much Is Business Hurt?

The outlook for farm produce is just now of major significance. We have read in the daily press of the drought devastation in many states; but most of us are in the dark as to its concrete effects. We may know that we have largely lost, through the ravages of drought and heat that seemed to come from the sprawling doors of the lower regions, a crop of spring wheat, and that other crops have been affected in some regions. We may realize that drought losses are much more apt to hold up to the estimates than are flood losses, though in any event, press reports are prone to be much more sensational than conservative. But the major question remains: how much is business to be slowed down as a result of crop losses—how much is farm purchasing power, as a whole, to be lowered of this loss?

In approaching this question it is necessary to be all-commodity minded. Judgment cannot be founded on the wheat outlook alone, nor even on that for all of the great staples. We must consider, for example, that meat, milk, poultry, and eggs represent all of two-thirds of the aggregate value of farm products and that while not commonly referred to as "crops" they utilize in their production about 75 per cent of all crop acres and almost all of the pasture lands.

We must be concerned with the prospect for garden truck, fruits, cotton, tobacco,* flax, hay and grains—all farm produce which makes up real additions to national wealth, as contrasted with values added by the processes of manufacture, and constitutes that farm purchasing power which accelerates industry in varying degrees.

A First Hand View

Estimates of the loss due to drought damage run from 200 million to 400 million dollars. If we take the large figure, how much of a brake is it to prove on the momentum of the year's business?

Perhaps a little immediate first hand information may not be amiss. It happens that we have just returned but three days before this is written from a ten-day trip to the Middle West. Interviews and examinations in mail order instalment houses and department store chains brought us back convinced by demonstration as to growing improvement in both volume and prices. Paradoxical, but there are the facts in the form of orders and the deductions are based on long experience. Mail order instalment business men with whom we talked and worked, men who watch trends, as a doctor watches the pulse in a crisis, always alert, say business is improving just as fast as is healthy, no qualms as to credit conditions. They see some easing in sales of farm implements in some of the worst affected areas but not enough to offset the gains elsewhere. Some decrease in freight volume on the granger roads may be expected. They seem to be in no fear of a strike in the

steel mills and Chicago makes enough steel to be sensitive to conditions in the industry. The intense heat slowed down production in automobile plants a little and ingot production is off slightly, but the backlog of orders look like business to carry through well into the third quarter. New model cars may be expected to get into production without the usual prolonged shut-down.

Let us see what happened in 1934. The reports as to farm income based upon Bureau of Agricultural Economics figures showed remarkable resistance and resilience. In that year the drought was perhaps more widespread, but the effect on the gross volume of business of the country was apparently surprisingly small. One may not be dogmatic in this for what our volume of business would have been, given a good crop, there is no way of knowing. In any event, our progress toward recovery was not abruptly halted.

Conditions Vary Widely

Happily, we know that so far as humanly possible, present suffering and undue privation is to be relieved. Our problem is to what extent is the crop loss to affect us, or, to put it another way, can we take this right hander on the chin and continue on our way to a recovery that has seemed each day to be a little nearer?

In the spring wheat states and the dairying country, in the Northwest, the ravages of drought and record high temperatures did their worst. The daily news dispatches and the newsman's camera have told us the distressing story. Nevertheless, it is good for the drought sufferers, as well as the rest of us, to know that "somewhere there is laughter and somewhere children shout."

With no thought of disparagement, it is possible and only fair to point out that potatoes—Irish potatoes—that last year could not find a market, are bringing good prices this year. The Eastern Shore of Virginia and Aroostook County, Maine, can count up some profit to offset last year's losses, when they had carloads of potatoes and could not give them away.

Peaches in Southern Jersey and in Delaware look like the best crop in several seasons with a market reaching up for the fruit.

Dairying—the producers—are raising prices of fluid milk.

The leather market reacted, foreseeing a possible repetition of what happened in 1934, when the government was forced to accumulate a stock of hides, taken from drought stricken herds. By the way, this reserve of raw material is not fully liquidated, but demand has been so strong that the market has ignored its weight, but threat of more emergency hides is another matter.

It is not possible to discuss tobacco, as a crop, there is a limit to our space. Acreage is 1,437,100, all types, flue-cured, fire-cured, air-cured, dark and light; cigar tobacco, fillers, binders, wrapper.

Perhaps this is as good a place as any to add a little more first hand information. W. C. Vereen, Moultrie, Georgia, writes:

". . . Our tobacco crop is good and the price promises to be very satisfactory, with an increased acreage this year. The crop of cotton is a little more than last year. The crop is fairly good and the yield will no doubt be satisfactory with prices still advancing.

"Our people in this section have for the most part learned that diversification of crops is the plan for our farmers to follow. They are endeavoring to live at home and be independent. We think this section and particularly in our county have very bright prospects. With the diversification of agricultural products and increase in live stock and a cash market in Moultrie every day in the year for practically every product that is raised on the farm, make our prospects bright and there are very few who are not hopeful of a very successful year." . . .

These two short paragraphs mean more for agricultural progress if properly studied, than all the shelter belts and North Dakota exoduses ever planned. Mr. Vereen is known as the father of the famous Colquitt County Plan, which worked.

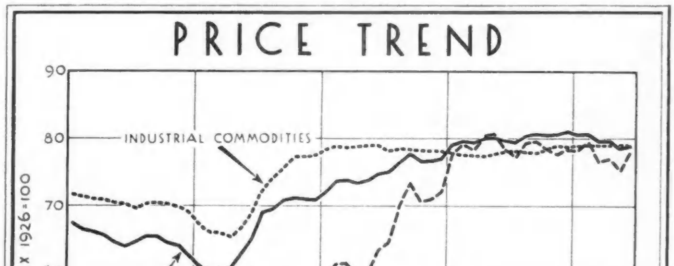
Wheat Crop Below Average

Going back to wheat: always of exaggerated importance because it means bread for the family table, the Bureau of Agricultural Economics estimates the crop for the year on the basis of 37,875,000 acres of winter wheat, condition 66.3 (13.5 bushels per acre) as of July 1, the indicated yield being thus 512,085,000 bushels; 110 million bushels below the five years 1928-1932 average. The winter wheat crop may be counted as fairly made by July, so the figure given may be taken at face value. Spring wheat is just enough later to have been caught by the drought at a critical point and largely destroyed. The Bureau's estimate was 13,184,000 acres, condition 45.7 (9.6 bushels per acre) indicating 126,314,000 bushels for the crop; just a little more than one half of the five year 1928-1932 average.

We will not be far wrong if we omit the spring wheat altogether and base our wheat calculations on the winter crop alone. Our domestic use of wheat runs just about 650 million bushels. We are going to be importers during the coming months, notwithstanding our feeling that we should still rank among the exporters, as we did for many years.

If the recent rains reported really soaked the corn belt, the crop may not be too badly hurt. The first half of July usually sees the corn beginning to tassel out, the silk is thrown out of the green husk and the air is hazy with pollen. If the ground is full of moisture, then dry weather is good until the tassel shall have shed its pollen, then rain and warm weather, while the ear grows; a dry latter half of September and October while the ear fills out and hardens. It is not so difficult to advise Jupiter Pluvius, but very hard to guess what he intends so as to keep step with him.

The estimated corn crop is 98,517,000 acres; condition July 1, 72.8 (22.8 bushels per acre); crop 2,244,834,000 bushels. Twenty-two or twenty-three bushels of corn to the



acre is not much of a crop. Kansas and Nebraska corn fields can with ideal crop conditions, show 80 bushels, and, sometimes, 100 bushels here and there, to the acre. That is when corn huskers go for records and the ears that hit the bump board on frosty mornings sound like the boys were throwing stove wood into the wagon. A good man unloads 80 bushels a day into the crib, but he hurries all day long, from daylight till dark, and scoops out his last load by lantern light.

Critical Period in Corn

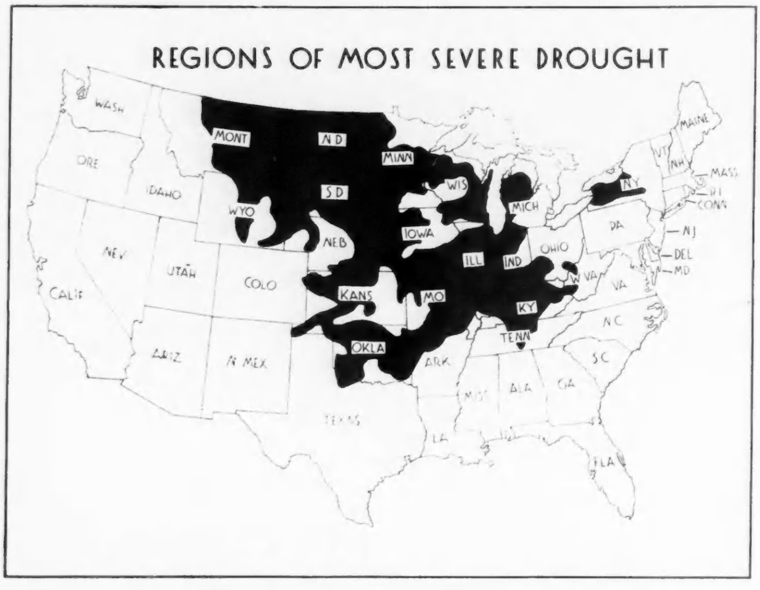
While we may feel that we can stand the loss of the spring wheat and still maintain our speed, the corn crop is another matter and the current thirty-day period an exceedingly critical one. If we have to suffer heavy loss in the corn belt, we may have to digest as never before some of the figures set out herein as to food values. Of one thing we may be fairly certain, we are through with the egregious folly of any doctrine of scarcity.

Our corn crop is something of a stabilizer. In 1934, with scarcity ideas in force, aggravated by drought, our yield fell below 2 billion bushels for the first year since 1901. The average farm value, based on prices of December 1, in each year over the years 1904 through 1934, is $1,837,000,000. It will be worth while for all of us to study each day the weather man's report on precipitation, giving particular attention to Iowa, Illinois, and the other corn-belt states.

A Report of Administration of the Agricultural Adjustment Act to December 31, 1935: just off the press says:

"Corn production down 1,185,021,000 bushels."

"Production of corn in the United States in the 1934-35 crop year was 1,377,126,000 bushels, a deficit of 1,185,021,000 bushels from the 1928-32 average of 2,562,147,000 bushels. That portion of the reduction chargeable to drought was 1,003,336,000 bushels, and the reduction due to acreage adjustment contracts is estimated at 181,685,000 bushels. Imports of corn in the marketing year, November, 1934, to October, 1935, amounted to 41,142,000 bushels or only 2.9 per cent of the production for the corresponding crop year, low as it was, and to 4.1 per cent of the year's loss through drought. Corn imported into the United States pays a tariff duty of 25 cents per bushel. The average farm price of corn in the United States in 1934 was 81.6 cents per bushel. Corn prices also were up to the top of the tariff wall.



"Importations of corn into the United States to offset drought reduction and the unfavorable conditions of 1935, reached their peak in the latter year. Production in the crop year 1935-36 totaled 2,202,852,000 bushels, or 359,295,000 bushels less than the 5-year average. In the first 3 months of the marketing year beginning November 1, 1935, corn imports amounted to 5,612,000 bushels, with a distinct downward trend apparent. The average farm price of corn in the United States in 1935 was 57.7 cents per bushel."

The hay crop does not seem so important as it did when we depended upon the horse and the mule for motive power and transportation, still there are some millions of both to be fed and dairy stock and steers in the feed lot and the younger cattle. Grass and hay need, like strawberries, water and more water. Timothy, clover, alfalfa, prairie hay, mean hard work in hot weather in any year, and prayers for dry weather in haying time until it is in out of the field. Alfalfa grows in favor, because in a pinch the livestock will thrive after a fashion on alfalfa hay alone. We now grow over 14,000,000 acres and we get three crops a season. Hay does not cut so much of a figure now in the market directly, but it means much in the amount of grain free to go to market. Seventy-three million tons we will stack and bale and mow away this year, a crop some 10 per cent short of normal. Cities once required thousands of tons of hay, today it is gasoline, and the horse should be the one to rejoice.

Partly for such reasons and partly due to weather our oat crop will be short—805 million bushels estimated, just about two-thirds of the average 1,215 million over the five-year period cited.

Cotton is a Bright Spot

Cotton, our largest item of export seems, in some way, to be out of its natural milieu in a general farm crop review. Its market importance is such that it seems to require and receive comment standing alone. However, just now, cotton is a bright spot with a greatly improved outlook at home and abroad. The cotton goods market has come to life and is full of snap. Spindles and looms are humming. The Government's loan position is much better. It may be possible to look forward to a time when the Government can get out of cotton and stay out.

As of July 1, the acreage in cotton was figured at 30,621,000 acres, about ten per cent over the like estimate of last year, but still only about three - fourths of our normal planting. At one-third of a bale to the acre, the crop figures 10,207,000 bales, with crop prospects not too good abroad, this amount of cotton should go to market at fair figures. It is too early to do more than conjecture and watch the weather. A third of a bale to the acre is not a bad guess.

There is not space to go into world conditions in detail, it must suffice to say that various export demands should show substantial increase. Tariff walls and exchange difficulties out of the way, there is apparently demand that would vastly increase the world's water-borne commerce

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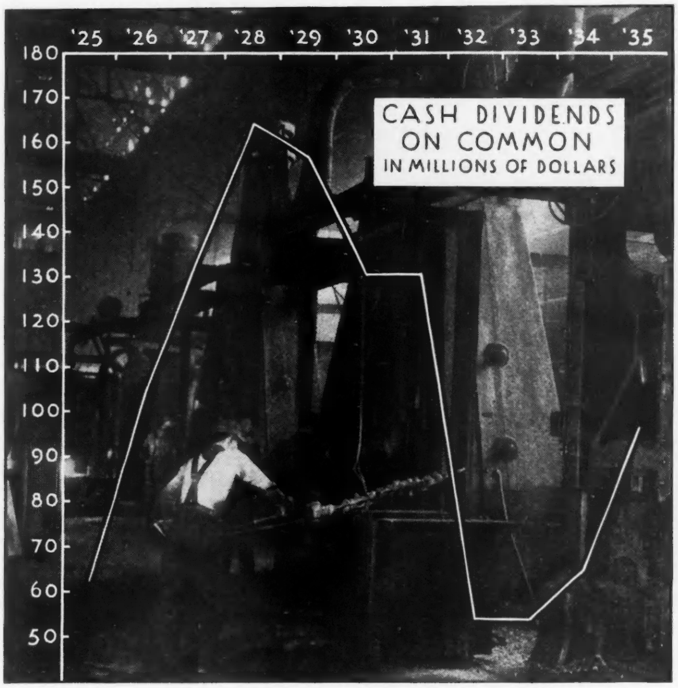
General Motors Heads for New Records



By Ward Gates

NEXT to food, shelter and clothing, the automobile has first claim on the purchasing power of the American people —with the result that while our national income is still seriously depressed, sales of passenger cars this year probably will reach 80 per cent of the record high of 1929 and demand for commercial vehicles will reach a new all time high. This showing is striking proof of the success with which the industry's familiar low cost-low price-increased value policy has met the existing economic requirements.

Of the public purchasing power available for automobiles, more is spent with General Motors than with any other motor manufacturer. In June, the latest month reported, it sold more cars than ever before in its twenty-seven year history. This will be the sixth year out of those twenty-seven in which dollar sales have topped $1,000,000,000. Topping the 1935 sales of $1,155,641,511 by a wide margin, they should, on present indications, approximate 1928's total of $1,459,762,906. The 1929 record was $1,504,404,472.

Over the ten years 1926-1935 General Motors had aggregate earnings of $1,539,436,679 and distributed $1,092,144,000 in cash dividends to its stockholders, of whom there are now approximately 340,000. This is apart from stock dividends and stock splits, which since 1924 have had the effect of increasing every holding of 100 shares to 750 shares without additional cost to the stockholders. No other industrial enterprise in the world can match this dividend distribution of the past decade.

To indicate in much simpler statistics the position that General Motors occupies, during the first half of this year it sold 44 automobiles out of every 100 sold in this country —a new high record. In 1935, when operations early in the year were retarded by production delays and labor difficulties at key production centers, it sold only 38 cars out every 100 produced.

In 1934 General Motors had 40 per cent of the domestic market; in 1933, 43 per cent; in 1932, 40 per cent; in 1931, 42 per cent; in 1930 and in 1929 only 34 per cent. Thus, the company has substantially increased its share of the total domestic market since 1929. Since Chrysler, among the "Big Three," has also made sharp competitive gains since

1929, the losers have been the Ford Motor Co. and the smaller "independents." In 1920, it may be noted in passing, when the present du Pont - General Motors management entered the picture, the company had only 16 per cent of the domestic market.

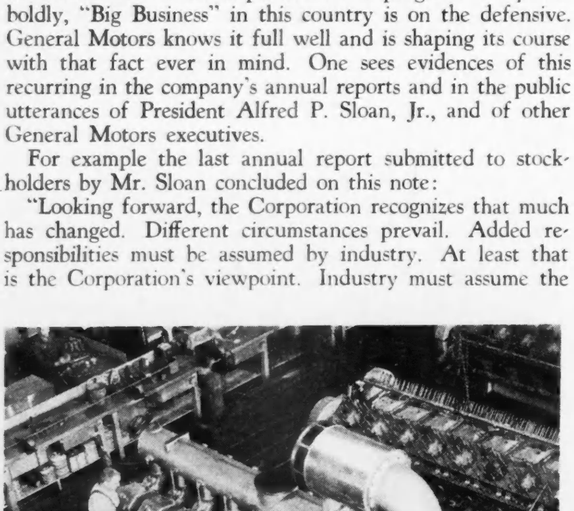
The General Motors competitive gains have been especially pronounced this year. New passenger car registrations for the first five months of 1936—the latest complete figures available—show this company had 44.32 per cent of total registrations, against 37.26 per cent in the first ten months of 1935. In the same period the Ford Motor group dropped to 23.47 per cent of the total market, as compared with 31.29 per cent in the first ten months of last year. This shift was due importantly to the resurgence of General Motors' Chevrolet car, which for this year through May had 28.28 per cent of the total market, against 23.42 per cent in the first ten months of last year. For the same period this year the Chrysler group had 23.42 per cent of the market, against 22.96 in the first ten months of 1935, virtually equalled Ford's percentage and hence proved over the past year to be General Motor's most formidable competitor.

Vision in Public Relations

So much for past and present competitive records. What the investor in General Motors wants to know is what lies ahead for this huge enterprise. Times have changed greatly within our generation and will change further. General Motors has changed, and is changing, with them. Few industrial managements have been as alert as that of General Motors to the pulse of public opinion as it plays alike upon our economic and social problems and progress. To put it boldly, "Big Business" in this country is on the defensive. General Motors knows it full well and is shaping its course with that fact ever in mind. One sees evidences of this recurring in the company's annual reports and in the public utterances of President Alfred P. Sloan, Jr., and of other General Motors executives.

For example the last annual report submitted to stockholders by Mr. Sloan concluded on this note:

"Looking forward, the Corporation recognizes that much has changed. Different circumstances prevail. Added responsibilities must be assumed by industry. At least that is the Corporation's viewpoint. Industry must assume the role of enlightened industrial statesmanship. It can no longer confine its responsibilities to the mere physical production and distribution of goods and services. It must aggressively move forward and attune its thinking and its policies toward advancing the interest of the community at large from which it receives a most valuable franchise. It must promote the causes of human happiness and security, and by so doing, it will enhance its own opportunity for accomplishment. But equally important, it will assure the maintenance of private enterprise and with it the exercise of free initiative as the most efficient creator of wealth."



Preparing a G-M Diesel for shipment

That is a remarkable and significant statement. Just what does Mr. Sloan mean by "enlightened industrial statesmanship"? The average stockholder, interested primarily with the return on his investment, would say that General Motors has long practiced "enlightened industrial statesmanship" for it has paid handsome dividends and has paid its workers wages which the stockholder knows are higher than the average for manufacturing industry and which the stockholder very likely considers adequate for the services rendered.

As for the average buyer of a General Motors car, he gets a better automobile today at a cost of 25 cents a pound than he could have bought at double that cost only a few years ago. Whether he is consciously aware of it or not, the chances are that he regards the General Motors Corp. with good will—a good will arising out of a feeling that he has got his money's worth.

The Question of Good Will

So far as general public opinion is concerned—at least to the extent that we can judge it by the reaction of intelligent and responsible minds—there seems to be little or no feeling of hostility toward that particular section of "Big Business" that is represented by the automobile industry. The reason why this attitude differs so markedly from that with which, for example, a considerable body of public opinion regards the steel industry is obvious. In contrast with steel, the price structure in the motor industry has been highly flexible and has moved generally downward for years, especially so when prices are considered with relation to ever greater values in the industry's product. Despite the large concentration of the market in the hands of three companies, no odor of monopoly is present, for everyone knows that competition between them and likewise between the lesser manufacturers always has been, and still is, most intense. It need hardly be added that since the American motor industry leads the world and has from its inception there is no tariff wall around it.

In short, investors, motor car buyers and a large section of general public opinion unquestionably regard the motor industry—and the biggest company in it—as representing all that is best in the American profit system.

Then against whom and what is General Motors on the defensive? Again the answer is obvious—labor, that body of public opinion which is in accord with the economic philosophy of the New Deal—however vaguely and incompletely that philosophy has been expounded—and, more specifically, against such governmental actions and policies as will, in the opinion of the General Motors management, work to the ultimate injury of the American people and therefore of General Motors.

The attitude reflected in the famous remark of a long dead railroad tycoon—"the public be damned!"—is today as dead as the dodo, although some corporations do not yet know it. General Motors, along with some other great companies, knows that the delicate art of public relations is a specific and vital part of its job and will be increasingly so. To such stockholders as may not yet fully realize that

The Record Since 1929

	Sales	Earnings	Dividends on Common
1929.....	$1,504,404,472	$248,282,268	$156,600,007
1930.....	983,375,137	151,098,992	130,500,002
1931.....	808,840,723	96,877,107	130,500,001
1932.....	432,311,868	164,979	53,993,330
1933.....	569,010,542	83,213,676	53,826,365
1934.....	862,672,670	94,769,131	64,443,490
1935.....	1,155,641,511	167,226,510	96,476,748

fact, the company makes the following explanation, again in Mr. Sloan's last annual report:

"No one can deny that, as our national economy becomes more and more involved, the margin of error within which, as a nation, we can operate and maintain the essential economic balance, to say nothing of making progress, is being constantly narrowed. If our country is to remain a democracy in fact, it is essential that, through the process of education, there be developed a better understanding not only of the factors involved in our increasingly complicated national economy, but also of the economic consequences of the things that are done, as well as the things that are not done, which influence the lives, the happiness, and the security of all the people.

"The management of General Motors Corp. recognizes such a responsibility and assumes the obligation, with respect both to its stockholders and to the community at large, of promoting in every proper way a more comprehensive understanding of industry; what it contributes; why it contributes; how it can contribute more, and why it may contribute less."

In this analyst's opinion, the position of General Motors, with respect to public opinion and to the sphere of governmental action, is strategically a strong one. This is due partly to the company's own enlightened policies. It is also due to the gradual passing of the country's deflation neurosis, out of which so largely sprang the extraordinary economic experimentation engaged in by the Government in recent years. The evidence strongly suggests that the drift of American public sentiment, at least for the present, is toward political moderation—if not toward the Right, certainly toward the Center.

The Labor Problem

Which brings us to General Motors' labor relations—and that is something to think about. The objective of John L. Lewis, head of the United Mines Workers of America, and of his associates on his Committee for Industrial Organization is to "organize" all of the great mass production industries. This means, to impose the Lewis brand of closed shop upon them. The automobile industry is one of the prominent targets of this drive.

It would be sheer and useless speculation here at this time to venture any conjecture as to either the nearby or ultimate consequences of this movement. Its results in the motor industry, one would presume, should depend to some extent upon the success or failure of the Lewis drive in the steel industry—present focal objective of the effort—and determination of that may take six months or a year.

Meanwhile it is pertinent to examine briefly some of the aspects of General Motors' employee relationships.

The average number of employees last year was 211,712. This figure was equal to a bit more than 90 per cent of the average number in 1929. Dollar sales last year were only 76 per cent of the 1929 total and the company's profit was only 67 per cent of the 1929 figure. Again, total payroll of $323,030,599 in 1935 equalled 83 per cent of the 1929 payroll. Allowing for a substantially lower cost of living in 1935 than in 1929, the purchasing power of the payroll was approximately equal to that of 1929. Dividends paid to preferred and common stockholders totalled $105,654,968 in 1935 or only 63 per cent of the 1929 total.

Hence, relative to the 1929 relationship, it is clear that General Motors employees last year fared better than did stockholders' dividends or the company's sales and profits. This, of course, does not answer the question—from labor's viewpoint—whether the annual earnings of employees are adequate, whether the corporation can or should pay more, whether employment is as stable as it can or should be. Average annual wages are not stated in the company's report and would not mean much if given, for necessarily there are variations between different classes of workers as well as between wage workers and salaried workers. Dividing total payroll last year by average number of workers, one gets an average of $1,521—or certainly a respectable figure, and the fact that salaries of executives is included in this computation does not make much difference, since it amounts to 1¼ cents for every dollar paid wage and other salary workers.

A Fair Policy

Yet none of the above facts will determine whether General Motors will or will not experience serious labor difficulties. Neither will it be determined by the fact that the company is making a handsome profit per dollar of sales—14.3 per cent last year—and per dollar of its investment. Nor will it necessarily be determined by the fact that the company—along with the rest of the industry—has gone to great efforts to spread employment more evenly through the year, to which end the November introduction of new models has been decidedly in the interest of motor workers, or by the company's employee savings and group insurance activities or other such policies in the interest of its workers.

In the final analysis it boils down on the one hand to what labor can exact for its services and to the effectiveness

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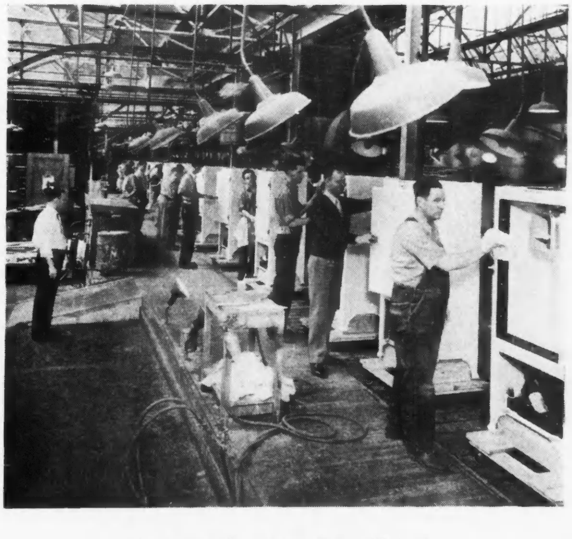

Mass production of Frigidaires

France's New Deal

Familiar Threat of Inflation Is More Ominous Than in U. S.—Political Developments Suggest Increasing Radical Strength

By George W. Berkalew

THE first acute phase of the present French Revolution has come to a pause, just as the first ground-gaining advance of a modern army must grind to a stop after the initial momentum has been spent. The moment is one for consolidating the newly won positions, for taking count of losses, and preparing the next move forward.

There is still a large portion of the press and a larger yet less articulate portion of informed French public opinion which anticipates revolution of the blood and thunder variety just round the corner. This group discounts the fact that the strikes and vigorous legal advances of the past month have been carried through without bloodshed. Most impartial observers must admit that the world must none the less revise its opinion of the "excitable Frenchman." There was a self-control, an almost "Anglo-Saxon" spirit of calm orderliness, about the swift transition from the France of yesterday to the France of today, with far-sighted social programs, clean linen for the worker, and a general atmosphere of industrial emancipation.

Wide World Photo

Leon Blum

French Premier

France needed to spruce up her backward social legislation, which lagged even behind that of Great Britain, and trailed Germany by a generation.

Hardly a single industry was hitting on all cylinders, and hardly a single social class was feeling comfortable when the strikes began. With the rapid inauguration of paid holidays, collective agreements, old age pensions, the forty-hour week, and accords approving wage increases, the great mass of the population contemplates the full dinner pail. And that means radio sets, motorcycles or cars, reapers and binders, sewing machines and refrigerators, and a general spree of spending.

While there are many who recall in ominous tones the historical fact that the French Revolution of 1789 started with equally bloodless and equally sweeping and spectacular reforms, only to degenerate eventually into a butchery, there are others who look to the American New Deal and see similarities, prophesy the same return of confidence for France, and gloat on a bloodless recovery. These optimists count on the human element, the French realist, the healthy peasant, the stolid bourgeois, who so far have moved behind the Front Populaire. The Radical party balances in this new coalition those Communist elements which would eat the cake and have it too.

France has proved remarkably phlegmatic in initiating revolution. Perhaps the people can see it through with the same spirit that the good mechanic shows when he tightens the last nut and climbs in to put his foot on the starter confident that he has thrown no wrenches into the gear box.

The impulse to throw wrenches into the gear box does not exist when there is plenty of gas in the tank and a fair road is calling. Over the past fifty-two weeks the French gold reserve dwindled considerably, moving from over seventy-one billion French francs on July 5, 1935, to a little less than fifty-four billion on June 26, 1936. Then, during the final week of all, without making any dramatic recovery, the gold reserve nevertheless showed signs of returning vitality. Between June 26 and July 3 it stepped up approximately four hundred million francs. This is not much, when measured against losses which in single days have often doubled that figure, yet it shows a turn of the tide.

The government hopes to make this turn a more than temporary phenomenon. If it succeeds, then sixty billion French francs which are now in hoarding or in flight across the frontier can come back into circulation. That would mean a real inflation, a shot in the arm which would transform the French industrial situation. Circulation is now about eighty-six and a half billion francs as contrasted with approximately eighty-two billion francs a year ago. The French government has arranged a new ten-billion-franc advance from the Bank. Baby bonds are being offered in denominations as low as two hundred francs. Authoritative intimations have been given that the Bank will succor all industries which were hard hit by the strike, cover all banks which permit extensions on notes falling due from indus-

trial sufferers on June 30, and support extensions of fresh credit to merchants, commercial firms and small producers whose affairs went from bad to worse during the late unpleasantness.

There is danger in such credits; but the present government of France, like the New Deal government in America some three years ago, is putting the machine into reverse, and calling for an inflation after its predecessors had held the throttle down hard to induce a thorough deflation.

The French New Deal

Primarily the new deals in the two republics resemble each other by the leaders' determination to increase with swiftness and daring the government's intervention in industry. About the time that the New Deal in America is showing signs of letting up on industry, at least until after the elections, the New Deal in France, fresh on the job and with the whole task of national invigoration still before its exponents, starts in with remorseless energy to bleed the employer in order to cure him.

Expressed in other words, the French new deal is causing the costs of production to rise in order ultimately to lower them. The theory is familiar in the United States: a rise in wage levels increases the buying power of the public, which in turn increases production, which ultimately lowers the overhead, spreads the fixed charges, and reduces the unit cost of said production.

There are numerous commentaries to be made on the French experiment. The Blum new deal departs from the Roosevelt experiment in regard to devaluation. By reducing the price of the dollar to potential foreign customers Roosevelt was able to let internal prices rise gradually without jeopardizing foreign sales. Indeed, the American devaluation is partly responsible for the 80 per cent increase in American exports during the past three years, after a period in which exports fell off catastrophically. France is still in the period of catastrophy. French exports have fallen from fifty billion to fourteen billion francs since the start of the crisis. According to Charles Rist, of the Bank of France, French prices, translated through the exchange rates, are still 20 per cent above the world price level. During the past year French prices, instead of falling in relation to world prices as the deflation was pushed harder, have continued to rise, widening the gap already existing.

Now, through the new social legislation and the strike accords, further burdens are placed on the manufacturer, and the prices must climb again. The 12 per cent increase won by most of the strikers is translated, when complicated by the forty-hour week, the paid holidays, and certain other social measures, into an increase of 35 per cent in the hourly wage paid out by the producer, the distributor, the advertiser, publisher, and transporter. Since this 35 per cent increase occurs not once but several times in the handling of goods from raw material to finished product, costs will pyramid; prices go up, possibly at first even higher than the 12 per cent increased buying power of the masses. Here several factors enter into play, which offset current calculations. Credit expansion and inflation will spread the burden, ease the strain on the producers and distributors. Human nature enters the picture again, making it possible that the directors of institutions hoary with age will cut down, in administrative reforms and in the introduction of new methods, the costs of production which through wage increases and social legislation they are aggravating. Inflation may induce that mass hypnotism of better days just round the corner which encourages buying waves, restores temporarily the well-being of the industrial state, and permits swift government action to peg the recovery and make it lasting.

There is a possibility that French inflation will simply raise prices and injure the foreign market while at the same time keeping internal prices too high for the home buyer. But this is not what the government plans. There is always the possibility of giving bounties to the exporting industries when the government credit is eased by baby bonds. There is always the further possibility of controlling domestic prices, letting the raw materials climb for the profit of the farmers and miners, while holding the finished products down to the level where the public may buy.

The present government will not hesitate to intervene. France has no Supreme Court, only a servile Senate, to nullify the laws which may be passed, and there is only the intangible factor of public irritability between the spirit of the French Republic and an economic dictatorship, either Fascist or Communist.

Dictatorship and the New Parties

Like the American Senate when the New Deal was young, the French Senate is showing a remarkable degree of docility and passing without demur the revolutionary laws which are placed before it. The present government presents a common front so long as it maintains the unity of its unusual trinity of supporters, the Radicals, the Socialists, and the Communists. While the Radicals, made up of small *rentiers* and middlemen, waver, they are in the main loyal to the coalition. The Socialists and the Communists work well together, thus far. It is rumored that the Blum government passed the word along to the workers that if they really wanted the platform pledges regarding social reforms to be fulfilled they should have to help by staging their strikes and scaring the country into permitting the government to rush its program through as an antidote to chaos. Almost too good to be true, this rumor at any rate illustrates the timeliness with which the strikes coincided with the new government's accession to power, and its performance in unusually punctilious fashion of its pledges.

The Communist party controls the most organized section

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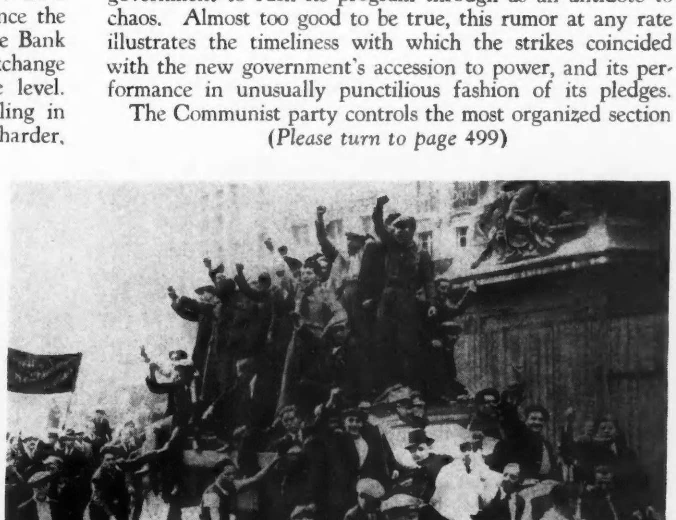

Wide World Photo

Rioters recently in the streets of Paris

Significant Foreign Events

By GEORGE W. BERKALEW

Foreign Representative of THE MAGAZINE OF WALL STREET

The Legend of Sanctions

What political machinery is now operating to enforce peace in Europe? The machinery of the League chugs along like an antiquated Ford, puffing, panting, back-firing, exploding a great deal of exhaust. But has the League covered any real distance towards its objective of collective security? Have the mechanics of the League proved any more modern in operation than the obsolete mechanism which empowered the Entente Cordiale, the Triple Alliance or which produced the grinding gears of the Versailles Treaty or the clogged carburetor of Locarno? Sanctions were supposed to be something new, designed to lubricate the diplomatic differentials of post-war Europe. But the unctuous oil of Geneva became diluted by national self-interest—burned out the bearings of the League with political friction.

As a result, sanctions have had little noticeable effect on the every-day life of a so-called "outlawed" population. Prices on certain products rose to be sure, but substitution and previous stocking prevented serious privation. In this sense it must be remembered that sanctions as a method of enforcing order in Europe had not been given a fair trial. The unforeseen efficiency of Italian road building in the Abyssinian campaign—the faltering hesitancy of both the British and French policy—the economic dependence of the smaller League members, checkmated the sanctions move. Still, anxiety has been frequently, though prudently, expressed in Rome concerning the consequences of prolonged economic isolation. This anxiety was connected not so much with the actual shortage of necessary materials as with the loss of foreign markets, the loss of tourist traffic, the loss of gold reserves, and last but not least from the Duce's standpoint, the loss of national prestige.

The most noticeable effects of sanctions in Italy at the time of the Abyssinian "armistice" were the sharp rise in gasoline prices, a slump in the circulation of passenger cars, an acute paralysis of the automobile and the automotive supply industries. These unfavorable developments focussed the attention of public opinion on the economic aspects of dictatorship. Articles dealing with such basic necessities as oil, cotton and coal now secure a wide circulation of avid readers. This new awakening of the population to the drier economic problems of dictatorship has created a general interest in new inventions and in new experiments, which will endeavor to increase industrial independence. The altered economic conditions of today will therefore have serious repercussions not only on Italy but also upon other countries with which Italy has formerly traded. Sanctions failed as a political penalty; they succeeded in complicating foreign trade relations; they might have completely fulfilled their intended function had war been prolonged even by a brief period. The greatest miscalculation made at Geneva was to expect major results within an unreasonably short time.

The British Color Scheme

It is popular to consider the question of sanctions a dead issue, but their scope of influence has been broad; their usefulness may eventually be demonstrated with the revived potency of the League. In fact sanctions have been swept from purely national to racial proportions.

For example, the so-called British loss of face led to a

Wide World Photo

A British diamond mine in South Africa

delicate domestic situation as a result of the see-saw foreign policy between Mr. Eden and Mr. Chamberlain, with Mr. Baldwin as a rather shaky point of balance. Whereas the majority of British colonies and dominions were apathetic at the outset toward interference in Italian interests, South Africa strongly supported and now sharply criticizes the withdrawal of sanction restrictions. While the government was coping with uncertainties in the Pacific, unrest in India, an under-current of revolt in Egypt, the problem of the colored population in South Africa became simultaneously embarrassing. Soviet propaganda agents following closely the course of the Abyssinian adventure began preaching the racial equality of labor, regardless of color. The South African native has thus been aroused to a feverish state of expectation. If England had not opposed as energetically as she did a year ago the advance of Italy into Northern Africa, the general coalition of the colored people of the Dark Continent against the white races could scarcely have been avoided. The fact that England took the lead among the sanctionist countries has averted temporarily serious developments in a colony rich in resources. The very real possibility of a general communist uprising among

the blacks would not only jeopardize this security of the Empire's valuable diamond and gold mines, but might also endanger one of the main strongholds of British power. The route to India via the Cape looms greater in importance with the increased dominance of Mussolini in the Mediterranean.

England is strongly criticized in the continental press for double-faced dealings. Unquestionably the Empire has lost face at Geneva, but the loss of Mr. Eden's school-girl complexion is perhaps inconsequential in comparison to the preservation of the colonial complexion with its varied make-up of black, yellow and brown.

☆ ☆ ☆

The Diplomatic Game of Chance

The breakdown of the League and the probable stalmate of the proposed Locarno discussions in Brussels have taken the question of the settlement of Central European problems almost wholly out of the hands of British and French statesmen. Mussolini and Hitler now present a new formidable front of dictatorship. It would be presumptuous to believe, however, that this new alliance has automatically disposed of the innumerable conflicting interests and contradictory forces at play in the diplomatic game of chance. The rivalry between England and the U. S. S. R. for the ultimate control of the Dardanelles; the new factor of Italy's unknown possibilities as a contender for Central European stakes; the speculation as to how far Hitler will be prepared to proceed with Mussolini in view of his known desire not to unduly irritate Great Britain; the closer contact among the members of the Little Entente; and a more reserved attitude toward the Soviets due to the failing influence of France are features which lend a gambler's fascination to the game.

Equally baffling is the sudden Anglo-Japanese agreement to join forces against the U. S. S. R. when heretofore Whitehall tactics in the Far East assumed a passive benevolence

Wide World Photo

Control of Dardanelles again goes to Turkey

towards the Soviets to check Japanese imperialism. A further factor upsetting all odds was Stalin's sympathetic feeling toward Mussolini in the matter of a free and unlimited outlet through the Straits for the Soviet Black Sea fleet.

Behind these speculations loom the uncertainties of the Islam movement, facing France and England; of Egypt's sympathy with it; of possible Franco-Italian disputes on the settlement of the Djibouti railway; of the bargaining of Italy, France, and England on the 1925 treaty regulating spheres of influence in areas now occupied by the Italians in Abyssinia and near the Somali coast.

Germany has no part in this particular game, and may wisely sit out, waiting for higher stakes. One thing, however, is certain, that Germany is now in a stronger position to negotiate terms on the outstanding issues confronting European diplomacy—issues which involve a fundamental revision of the structure of Central Europe as well as a radical reconstruction of the League of Nations. Mr. van Zeeland as croupier at the Geneva casino can only spin the wheel—"Statesmen, *faites vos jeaux.*"

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American Companies in Spain

The bloody revolution in progress in Spain, the fundamentals of which are discussed editorially on page 450, are naturally disturbing to stockholders in certain American companies which have interests in Spain, such as Armstrong Cork and, of course, International Telephone & Telegraph.

With events happening so fast it is, of course, impossible to foresee the ultimate results of this civil strife but there is much consolation in the situation. If the present leftist government is successful in retaining its power, foreign companies will be no worse off, whereas if the opposite occurs and the conservative factions are victorious some advantage may be gained. It should be remembered in the case of I. T. & T. that such franchises and rights as it enjoys in Spain were granted by those of the same political complexion as those who are now the "rebels."

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Germany—Government Installment Buying

The German Government is buying the productivity of its population on the installment plan. In the course of the conference of directors of the German steel industry, it was pointed out that consumption of steel, which fell to 6,000,000 tons in 1932, had reached 20,000,000 itons in 1935. This phenomenal progress is attributed almost entirely to activity in the armament industry. A member of the German "army supply staff" enumerates seven commandments for national defense—seven selling points for the heavy industries. These advertising appeals are rated as follows: (1) safeguarding the soul of national socialism; (2) preserving the strength of the government; (3) promoting an increase in population; (4) extending the utilization of national capital; (5) diminishing the dependency on imports from abroad; (6) mobilizing economic forces for national defense; (7) the regimentation of industry by the state—but with a rather ambiguous corollary, "not the monopoly of industry by the state."

However, the state monopolization of industry has practically been achieved. In Berlin, erudite economist Dr. Gördeler champions the present social system to combat unemployment—points out that 1,135,000,000 R. M. of the budget were appropriated for public works; fails to stress the fact that the larger part of this sum was spent in 1934—boasts of 140,000,000 R. M. obtained from so-called free contributions—sums up by saying that between 1933 and 1935 more than 2,000,000,000 R. M. have been spent for public works. With the extension of this program it became evident that the budget could not stand the strain. Long term credits were unobtainable on the open capital market. Hence the Reich started to mortgage the future in the form of short-term notes, 160,000,000 R. M. for 1933; 741,000,000 for 1934; 985,000,000 for 1935; 919,000,000 for 1936; 914,000,000 for 1937; and 909,000,-

(Please turn to page 500)

Mid-Year Dividend Forecast

Part I—Steel, Metals, Equipments, Railroads, Liquors, Amusements

THE first half of the year has been remarkable for the persistence of the upward trend in business activity and in corporate profits. Mid-July shows no evidence of a third quarter recession of more than mild seasonal proportions and there is a basis for hope that probable recession in August or September will be neither of serious scope nor of more than brief duration, depending largely on the tapering off of present active steel production and the length of time the motor industry will spend in changing over to the 1937 models.

The course of the stock market recently can only reflect optimism both as to the longer prospect for business volume, profits and dividends and as to the outlook for the second half of the year. The drought, already relieved in many areas by rain, is not expected to be a major business factor. Political fears have waned considerably on the evidence supplied by straw votes that the election is likely to be close, in which event there should be a more even balance of power in the next Congress. This would almost certainly exert a moderating influence on legislation.

On the whole, therefore, in respect to company earnings and dividends, this second half-year should be the best such period since the recovery cycle began in 1933. The trend of dividend distributions is strongly upward, reflecting enlarged profits and a greater willingness to pass along the benefits to shareholders. In this the new Federal undistributed earnings tax will certainly exert some influence.

It is to serve the individual and specific need of the investor that this Semi-Annual Dividend Forecast of THE MAGAZINE OF WALL STREET is prepared. Part II will appear in our issue of August 15, covering motors, accessories, tires, foods, chemicals, tobaccos, public utilities. Part III will be published in the issue of August 30 and will deal with the oils, aviation shares, building, chain and department store stocks, mail order and miscellaneous companies.

The tables and comment comprising this feature are accompanied by our investment ratings, which are explained in the accompanying table.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters, A, B, C, D, are used in connection with the industry according to the current and prospective activity in the field. These letters are not concerned in any way with individual companies. The numbers, 1, 2, 3, 4, are used for rating the company on its earning power, current and prospective.

INDUSTRY	COMPANY
A—Active; further progress indicated.	1—Good earning power; substantial gains indicated.
B—Active; further progress may be slow.	2—Improvement in earnings expected.
C—Depressed; prospects for recovery favorable.	3—Gain in earning power may be slow.
D—Depressed; no nearby improvement indicated.	4—Earnings outlook unfavorable.

BARRING LABOR UPSET, OUTLOOK FOR STEEL IS GOOD

The steel industry has made great progress so far this year. According to calculations of *Iron Age* operations have averaged about 61% of capacity, while the average to the same date last year and the year before was in the neighborhood of only 46%. Currently, steel ingot output at 70% of capacity is within a fraction of the post-depression peak. This is, indeed, gratifying, for normally the summer slump should be well underway.

The reason for the contra-seasonal activity displayed by the steel industry can be attributed mainly to the remarkably well-sustained output of automobiles. This has exceeded all expectations. Production of automobiles, however, must inevitably within the next month or so fall drastically as the change-over is made to the 1937-models. August in all probability will be a very lean month. When the automobile let-down occurs it will not be reasonable to expect the demand for steel from miscellaneous sources to hold output around the present rate, although so far the comparatively minor slackening in automobile activity has been offset by just this factor.

The improvement in steel operations over the past two or three years has been marked by a complete lack of balance between activity in the light division and that in the heavy division. While the demand from manufacturers of automobiles, electrical refrigerators and other household appliances, tin plate, etc., was taxing the capacity of the former, demand on the part of railroads, railroad equipment makers and other users of heavy steel was noticeably slack. This is a situation which now shows very definite signs of changing. Increased railroad traffic has emphasized the under-maintenance of right of way and rolling stock during the depression years; at the same time, the resultant increase in revenues has provided the roads with the wherewithal to begin the work of rehabilitation. Meanwhile,

structural steel has found an increased demand. According to *Iron Age,* lettings reported so far this year aggregate 944,350 tons, an increase of 43% over the corresponding period of 1935.

Heavy Steels to Do Better

It is believed that the gap between heavy steels and light steels will narrow further and that probably from this point opportunities will be greater in companies predominantly in the former division than in those catering to the fabricators of light sheets and strip. The light steels, of course, should continue to do an excellent business. Following the imminent slackness to be brought about by the change-over of automobile models, this industry will enter the market again with volume orders. Nor must it be forgotten that the miscellaneous demand for light steels is increasing—household appliances and fixtures are taking a greater volume and there is a general disposition to fabricate things from steel that were previously made of other materials. On the other hand, consideration must be given to the great increase in capacity that has taken place over the past year or two in light steels: literally scores of millions of dollars have been spent on continuous rolling sheet and strip mills. At the best, this will have a tendency to hold down profit margins and, at the worst, will give us finally an over-capacity in light steels and price demoralization.

The situation in regard to heavy steels contrasts quite sharply with this. Here, there is little disposition to increase capacity; the emphasis rather is upon the elimination of inefficient plants and the correction of the long existing state of over-capacity. With the heavy steel demand definitely increasing, this side of the industry would appear to be heading into an improved "technical" position and, as the recovery has barely started, it should have a long way to go before impairment sets in.

Materialization of the present prospect means that stockholders in light steel companies can reasonably expect to receive at least the dividends that are being paid currently and in many instances distributions should be larger. Stockholders in the majority of heavy steel companies, however, will have to be patient a while longer, but sometime next year many of them should be receiving an income from their investment. It will depend largely upon how fast dividends accumulated on preferreds can be eliminated.

Labor Situation Requires Watching

It is unfortunate that one must make an important qualification to these conclusions: they obviously will not hold in the event of widespread labor trouble. Almost without exception, steel companies are unalterably opposed to the unionization of their men by outsiders. Should the drive that is currently being made to achieve a "closed shop" in steel attain any measure of success, there are certain to be strikes and lock-outs, for there is no question of the steel industry being prepared to fight. It is too early as yet to hazard a guess as to what the future holds in this connection. Conceivably, unionization may make no progress, in which case there will be no trouble. In any event, the situation is unlikely to come to a head before November, for the present Administration, which is hand-in-glove with organized labor, is said to want no disturbances before election. In the meantime, holders of steel stocks can only watch developments and derive what consolation they can from the knowledge that the economic prospect is certainly in their favor.

Position of Leading Steel Stocks

Company	Earned per Share 1935	1st 6 mos. 1935	1st 6 mos. 1936	Price Range 1936 High	Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Acme Steel	$5.37	$2.85	2.76	74¾	59	64	$3*	4.7	A-1	Regular dividend recently increased to $3. May pay further extras.
Allegheny Steel	1.50	0.63	0.45a	39¼	26⅞	30	1	3.3	A-2	Will benefit from increasing demand for high alloy steels.
American Rolling Mill	2.41	1.40	1.00E	34	23¾	28	1.20	4.3	A-1	Doing well, but no near-term change in present dividend rate expected.
Bethlehem Steel	Nil	Nil	Nil a	63¾	45¾	56	....	...	A-2	Estimated to be earning currently substantial amount on common. May pay something before the year end.
Byers, A. M.	def b	def c	def c	25¼	16½	21	....	...	A-3	Accumulations on the preferred to be liquidated before common can receive anything.
Colorado Fuel & Iron	....	....	....	9⅜	3⅝	6	....	...	...	Court ordered trustee to turn over assets to reorganized corporation July 1.
Crucible Steel	Nil	Nil	Nil E	41	28	38	....	...	A-2	Doing better, but accumulations on the preferred remain to be liquidated.
Gulf States Steel	0.01	def	0.69	48	28⅜	47	....	...	A-2	Already paid $10.50 on the 7% preferred this year. Arrears as of 7.1.36 total $26.25.
Inland Steel	6.54	4.05	3.50E	114¼	38⅝	99	3.00	3.0	A-1	Larger number of shares outstanding account for smaller per-share figures this year. A candidate for larger dividends.
Jones & Laughlin	def	def	def a	44	30	34	....	...	A-2	Arrears on the preferred must be cleared off before anything can be expected on common.
Ludlum Steel	1.67	0.99	0.36a	35	22¼	27	1.00	3.7	A-2	Current dividend seems well assured.
McKeesport Tin Plate	7.11	3.46	NF	118½	96	97	4.00*	4.1	A-2	Further extras can reasonably be expected.
National Steel	5.16	3.04	3.00E	75	57¼	66	1.50	2.3	A-1	Present dividend seems over-conservative in view of high earning power.
Otis Steel	1.69	1.17	Nil a	20¾	12½	17	....	...	A-2	Large accumulations on the preferred remain to be liquidated.
Republic Steel	0.49	....	Nil a	26¾	16⅞	22	....	...	A-2	Common stock hardly seems a near-term dividend prospect.
Sharon Steel	2.74	1.47	1.15	32	20¾	25	....	...	A-2	May well make some distribution before long.
Smith, A. O.	def d	....	1.64e	72	40¼	48	....	...	A-2	Retirement of preferred enhances the prospect of common dividends.
U. S. Pipe & Foundry	0.88	0.22	1.84	48¾	21½	49	1.50	3.1	A-1	Doing much better. May pay more.
U. S. Steel	Nil	def	Nil a	72⅜	46⅜	65	....	...	A-2	Arrears on the preferred to be liquidated before the common can expect anything.
Wheeling Steel	3.11	1.18	Nil a	37⅛	21½	27	....	...	A-2	Accumulations on the preferred. Has been hampered by labor trouble.
Youngstown Sheet & Tube	0.64	def	3.39	71	41¾	71	....	...	A-1	Arrears on the preferred to be settled before payments on the common can be given consideration.

NF—Not available. E—Estimated. a—1st quarter. b—Year to Sept. 30. c—9 mos. to June 30. d—Year to July 31. e—12 months to April 30.
* Plus extras.

METALS FACE INCREASING DEMAND

Always excepting, of course, the precious metals which are in a class by themselves, the outlook for producers and fabricators of non-ferrous metals is now the brightest in a long time. Demand is up and prices are better and all the evidence points to a still stronger demand whose logical effect should be still better prices.

The statistical position of copper, the most important of the group, is much improved. World stocks of refined copper in June declined for the fourth consecutive month. They amounted to approximately 459,000 tons at the end of June this year, compared with 581,000 at the end of June, 1935. World consumption in June was about 142,000 tons, so that at the rate copper is being consumed currently there is less than three months' supply on hand. At one time there was overhanging the market needs of a year or more.

This improved statistical position has not unnaturally been reflected in higher prices and copper recently sold at 9.45 cents a pound, c.i.f. European base ports. The strength in copper abroad, as was anticipated, finally induced a rise in the domestic quotation. Following a day of feverish activity in which the amount of copper changing hands established a new all-time record, the price became 9.75 cents a pound, an increase of 1/4 cent a pound from the price previously prevailing. Another increase before long to 10 cents a pound is by no means inconceivable.

The demand for copper is coming from many sources. The automobile is a great consumer of the metal and this industry has been very active and faces at least one more good year. More copper is going into electrical equipment of various kinds; the demand for small household appliances is of record proportions and, with the output of electrical energy at an all time high, the public utilities at last show signs of coming into the market for important quantities of generating and transmission equipment. Also, building has done better and promises to do much better over the next few years. This will enhance the demand for copper gutters and leaders, flashing, copper and brass piping.

Holders of shares in copper companies have already been beneficiaries of the improvement. Many of the better known companies have initiated or increased dividends over the past year or so. From the outlook, the tendency to pay larger dividends is one that is likely to become more pronounced. So distinctly a favorable prospect could not fail to be discounted to some extent by the stock market, but it is very much to be doubted whether the full measure of the prospective betterment is reflected in today's price for the majority of the coppers.

Although what has happened in copper has happened also to some extent in lead and zinc, the situation here possibly is not quite so clearly defined as is the case with copper. Despite the fact that the consumption of lead has increased greatly—batteries, paint, type and bearing metals, etc.—stocks are about what they were a year ago. Thus, the price of lead has not shown the buoyancy of other commodities: it is today 4.60 cents a pound, New York, unchanged since February. Normal demand for lead-covered cable on the part of public utilities would greatly benefit the producers of lead. How long one will have to wait for the development of such demand depends largely upon the trend of power output (now strongly upward) and the course of political warfare against the utilities.

The statistical position of zinc has improved more than that of lead. Stocks are 25% under those of a year, although in recent months they have shown a disposition to rise. This, coupled with the fear of foreign importations, resulted in the price of the metal being reduced recently from 4.90 cents a pound at East St. Louis to 4.75 cents, the lowest level at which the metal has sold since last October.

In connection with all the non-ferrous metals, it is essential to distinguish sharply between producer and fabricator. Not long ago there was a situation in oil where the spread between the price of crude and the price of refined products was unusually narrow. Thus, the producer of crude did well, while the company predominantly in the refining side of the business had hard work to make ends meet. Similar conditions and their reverse are possible in non-ferrous metals and should be kept in mind.

The producers of gold continue to enjoy an unprecedented prosperity. So far, the rise in their costs of operations—labor, materials, taxes, etc.—have lagged far behind the rise in the price of gold. As long as this condition obtains they will continue to do well and pay large dividends to their stockholders. Economically, the outlook for silver is exceedingly poor. There is not the slightest excuse for the present price of silver and, inasmuch as no mention is made of the metal in the Democratic platform, it would seem as if even the present Administration had despaired of hiding any longer the folly of our silver policy. However, it must be admitted that producers of silver will continue to do well until such time as the present American attitude towards silver is reversed.

AMUSEMENTS HELPED BY INCREASED PURCHASING POWER

It is risky to judge the amusement industry by ordinary economic standards. It is affected, of course, as is almost everything else, by the state of the public purse. During a time of mounting prosperity, more people flock to theatres and will gladly pay higher prices; upon the advent of depression, people stay away from places of amusement and save their money. If an amusement company were manufacturing and distributing a standard article in everyday use, this changing purchasing power would be by far the most important consideration in the outlook. In the case of the amusement company, however, it is dealing in something intangible, subject completely to the public whim. As no one knows what the public whim is going to be tomorrow, or how successful any particular company is going to be in meeting it, obviously it is difficult to form an opinion as to what the future holds for any individual enterprise. Perhaps the best measure is the consistency with which in past years changes in public taste have been met.

Position of Leading Mining and Metal Stocks

Company	Earned per Share 1935	Earned per Share 1st 6 mos. 1935	Earned per Share 1st 6 mos. 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Alaska Juneau	1.04bd	NF	NF	17⅜	13	13	0.60*	4.7	B-3	First six months 1936 profit $1,141,800, against $954,600 in 1935, before depreciation, depletion and federal taxes.
Aluminum Co. of Amer.	0.55	NF	NF	152	87	135	....	...	A-2	Dividend arrears on the preferred to be liquidated before the common can receive anything.
American Metal Co.	0.33	0.07	0.15a	35⅞	27	33	....	...	A-2	Preferred accumulations being liquidated. As of 6.1.36 there remained $16.50.
Am. Smelting & Refining	5.01	1.51	NF	91½	56¾	86	2.00	2.3	A-1	Dividend increased from 40 to 50 cents quarterly. Another increase seems likely before long.
Anaconda	1.29	0.60	0.32a	40⅛	28	39	1.00	2.6	A-1	Will be helped by higher copper prices. May pay more.
Bridgeport Brass	1.12	0.60	0.32a	18⅞	12⅛	15	0.40	2.7	A-2	Present dividend being covered by substantial margin.
Cerro de Pasco	3.62	NF	NF	58	47¾	55	4.00	7.3	A-1	Dividend of $1 quarterly seems to be quite assured.
Dome Mines	3.90bd	NF	NF	61½	41½	54	2.00*	3.7	B-3	Should continue to pay further extras from time to time.
Homestake	32.43	NF	NF	544	414	424	36.00†	8.5	B-3	Until the unusually wide discrepancy between the price of gold and the price of commodities narrows, company will have huge earning power and dividends will be correspondingly large.
Howe Sound	4.94bd	1.92	2.30bd	57⅞	48¾	50	3.00*	6.0	A-2	Further extras, or even a higher regular rate, seem certain.
Hudson Bay Min. & Smelt.	1.16bd	NF	NF	28⅜	22¾	25	1.00	4.0	A-2	Will benefit from the rising trend of copper prices May pay more.
International Nickel	1.65	0.64	1.10E	54¼	43¼	51	1.20	2.4	A-1	With earnings estimated as high as $2.50 for the full year 1936, dividend is likely to be increased.
Kennecott	1.22bd	0.32bd	NF	44¾	28¼	44	1.20	2.7	A-1	A further increase in dividend seems probable.
Lake Shore Mines	4.12bd b	NF	NF	60	51	58	4.00	6.9	B-3	Dividend being paid currently appears to be well assured.
Magma Copper	1.63bd	NF	NF	49	34½	48	2.00	4.2	A-1	Profits before taxes and depletion for the first six months of 1936, $755,227, against $407,088 a year ago.
McIntyre Porcupine	4.49bd c	1.03bd e	1.01bd e	49⅜	39⅝	42	2.00	4.8	B-3	Earnings would seem to warrant larger distribution to stockholders.
National Lead	1.08	NF	NF	31⅜	26⅜	28	0.50	1.8	A-1	An extra, or even a higher regular rate, most probable before the year-end.
New Jersey Zinc	2.37	1.11	0.55a	92⅜	69½	79	2.00*	2.5	A-1	Further extras are not unlikely.
Newmont Mining	2.39	NF	NF	96¾	74¼	90	2.00	2.2	A-1	Portfolio appreciating fast with rise in metal prices.
Noranda Mines	2.63bd	1.14bd	0.87bd a	62	44½	62	1.25‡	2.0	A-1	Year-end payment likely to be larger than the one just made in June.
Patino Mines	0.47%	NF	NF	17¼	10⅛	11	....	...	A-3	Still a sufferer from Bolivia's control of exchange.
Phelps Dodge	1.21bd	0.49bd	0.90bd E	40¼	25⅝	38	1.00	2.6	A-1	Likely to pay more if the present bright outlook for copper materializes.
Revere Copper & Brass	Nil	Nil	Nil	16½	10	13	....	...	A-2	Dividends accumulated on senior stocks make near-term payments on the common improbable.
Roan Antelope	17.00% b	NF	NF	39	32	39	0.76§	1.9	A-1	First quarter 1936 net before taxes £136,000, against, £68,241 last year.
St. Joseph Lead	0.25	def	NF	29¾	22	24	0.80	3.3	A-2	Doing better. Dividend was doubled in May.
Silver King Coalition	0.35bd	0.09bd	0.17bd a	14½	8¾	9	0.40	4.4	A-3	So long as the United States subsidizes the production of silver, these two companies should do well, although other non-ferrous metals count importantly with the former.
Sunshine Mining	1.61bd	0.65bd	NF	24⅞	12⅜	13	2.00	15.4	B-3	
U. S. Smelt., Ref. & Min.	10.31	3.22d	2.71d	96½	78	80	8.00	10.0	B-3	Quarterly dividend was recently doubled.
Vanadium Corp.	def	def	NF	27¼	16¼	21	....	...	B-3	Believed to be doing better and conceivably could show black figures for the first six months of this year compared with a substantial loss in 1935.

bd—Before depletion. a—First quarter. b—Year to June 30. c—Year to March 31, 1936. d—First five months. e—June quarter NF—Not available. E—Estimated. * Plus extras. † Including extras. ‡ Semi-annual payment made 6.30.36. § Paid last year.

Position of Leading Motion Picture Stocks

Company	Earned per Share 1935	Earned per Share 1st 6 mos. 1935	Earned per Share 1st 6 mos. 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Columbia Pictures Ctfs.	6.61a	5.75b	3.13b	45½	31	37	1.00‡	2.7	B-2	New pictures going well. Would seem to be able to pay more in cash.
Consolidated Film Ind.	0.53	0.15	0.16	7⅛	4⅜	5	....	...	B-3	Accumulations on the preferred as of 7.1.36 totaled $4.75 a share.
Loew's, Inc.	4.53c	3.50d	4.47d	54⅞	43	52	2.00*	3.8	B-2	Proposing to buy important interest in big British amusement company. Additional extras are likely to be paid.
Paramount Pictures	0.78	0.63e	0.51e	12	7⅝	8	....	...	B-4	Earnings down. Issue does not appear to be a near-term dividend prospect.
Radio-Keith Orpheum	....	....	....	9¼	5	6	....	...	...	In process of reorganization under the Bankruptcy Act. Trustee reports net profit of $685,000 for the year 1935.
Technicolor, Inc.	def	NF	NF	32½	17¾	26	....	...	B-2	This year's volume will be much ahead of last.
Twentieth-Century-Fox	1.24	0.55	1.30E	32⅜	22½	26	....	...	B-2	A near-term dividend candidate. May receive considerable cash from the sale of British interests.
Universal Pictures	def f	def g	def g	12½	4¼	9	....	...	B-4	Losses continue. Outlook obscure.
Warner Brothers Pictures	0.07c	def h	0.48 h	14⅝	9¼	11	....	...	B-2	Doing better, although dividend accumulations on the preferred must be liquidated before the common can expect anything.

a—Year to June 30. b—39 weeks to March 28. c—Year to August 31. d—40 weeks to June 30. e—1st quarter. f—Year to Nov. 2. g—13 weeks to Jan. 31. h—26 weeks to Feb. 29. NF—Not available. E—Estimated. * Plus extras. ‡ Plus 5% in stock.

RAILROADS FACE IMPROVING OUTLOOK

The basic problems with which the railroads have long been confronted have not been materially alleviated but assuredly the substantial upsurge in traffic and revenues experienced by the majority of carriers in the first half of this year has justified renewed hope in their ability to ultimately surmount most of their difficulties.

The evidence already at hand warrants the conclusion that the railroads this year will make their best showing since 1931. Freight revenues of 144 Class I railways for the first five months totaled $1,257,174,176 as compared with $1,094,580,383 in the same months of 1935, and passenger revenues gained nearly $18,000,000 to $157,523,577. Despite a considerable increase in maintenance outlays and taxes net operating income for the five-months period amounted to $187,931,355 as against $160,673,752 in the corresponding period of last year. On the basis of these results, it is a safe forecast that this group of roads will, as a whole, earn their fixed charges this year, for the first time since 1931.

Moreover, this forecast does not overlook the fact that the serious drought conditions in the Northwestern region will restrict the traffic and revenues of the carriers serving this territory. There is, however, a good possibility that Federal aid will be a sustaining factor in farm income and in the meantime, the movement of lumber and iron ore together with inbound freight can be counted on to make larger contributions to freight revenues than last year. In other major agricultural regions, carriers will be benefited by the heavy winter wheat crop, already in, and the prospective increase in cotton shipments.

In the industrial territories, railroads not only have moved a substantially larger volume of steel and other products identified with the heavy industries, but of even greater importance from the standpoint of revenues has been the larger movement of miscellaneous freight resulting directly from the more sustained pace this year in building, steel production, automobiles, etc., and the consequent gains in employment and public purchasing power.

To the extent that the general railway outlook has improved, dividend prospects are likewise more encouraging, although it is to be doubted that the number of dividend-paying common stocks among railroad issues will be greatly increased during the next six months. One or two roads may resume common dividends; some payment to preferred stockholders or against preferred arrears may be made by several roads now in default of preferred dividends; and of the dividend-paying rail issues there are several which may increase their present rate. In the face of the new tax requirements, however, many roads not now paying dividends may elect to restrict equity earnings by larger maintenance outlays rather than pay surplus earnings taxes or pay a dividend not warranted by their financial position.

Position of Railroad Common Stocks

Railroad	Earned per Share 1935	Earned per Share 1936(e)	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Atchison	1.38	4.00	86⅝	59	84	2.00*	2.4	C-1	Crop movement promises to add substantially to current earnings. Special dividends to be continued.
Atlantic Coast Line	Nil	Nil	35¾	21⅝	33	None	...	C-2	Loss likely to be much less this year. Finances adequate.
Baltimore & Ohio	Nil	Nil	24¼	15⅞	21	None	...	C-2	Increased industrial activity may enable road to fully cover current fixed charges.
Bangor & Aroostock	4.44	3.50	49½	41⅞	42	2.50	6.0	C-4	Earnings may be lower this year but dividends appear wholly secure.
Canadian Pacific	Nil	0.40	16	10⅞	13	None	...	C-2	Heavier crop movement indicates marked gain in current earnings.
Central R. R. of N. J.	Nil	Nil	57	35	42	None	...	C-3	Traffic has lagged and prospects indicate another loss this year.
Chesapeake & Ohio	4.05	5.00	69⅜	51	66	2.80	4.2	C-1	Dividend likely to be increased at meeting this month.
Chicago, Mil., St. Paul & Pac	Nil	Nil	2⅞	1½	1¾	None	...	C-4	Continuation of recent traffic gains placed in doubt by drought.
Chicago & Northwestern	Nil	Nil	4⅞	2½	3	None	...	C-4	Drought conditions obscure, traffic prospects for last half.
Chicago, R. I. & Pacific	Nil	Nil	3	1½	2	None	...	C-4	Current revenues likely to reflect restricted movement of crops and live stock.
Delaware & Hudson Co. (a)	1.73	2.00	52	36¾	46	None	...	C-3	Investments alone equal to more than $50 a share at end of '35. Dividends not imminent.
Delaware, Lack. & Western	Nil	Nil	23⅛	14⅞	19	None	...	C-3	Revenues up more than 7% this year but charges not likely to be earned in full.
Erie	Nil	Nil	17⅝	11	14	None	...	C-2	May cover fixed charges and 1st pfd. divs. this year.
Great Northern (Pfd.)	2.87	4.00	44	32¼	40	None	...	C-2	Crop prospects an uncertain factor but a sizable earnings gain seems likely. Could resume dividends.
Illinois Central	Nil	Nil	28⅞	18⅝	25	None	...	C-2	Sharp upturn in traffic and good prospects favor full coverage of fixed charges.
Kansas City Southern	Nil	Nil	26	13	23	None	...	C-2	Traffic sharply higher this year and charges may be fully earned.
Lehigh Valley	Nil	Nil	14⅜	8½	14	None	...	C-3	Prospective current earnings will depend on Fall coal movement.
Louisville & Nashville	3.53	6.00	93	57½	92	4.50*	4.6	C-1	Earned $2.21 in 1st 5 mos. vs. 92 cents a year ago.
Missouri-Kansas-Texas	Nil	Nil	9⅝	5½	9	None	...	C-2	Charges may be earned in full this year. Payments on adj. bonds likely to be resumed.
Missouri Pacific	Nil	Nil	4	2⅛	2¼	None	...	C-3	Encouraging traffic gains may produce a 66% increase in net.
New York Central	0.02	2.00	42¼	27¾	40	None	...	C-2	Earnings currently may show as much as $2 for the stock. Finances improved.
N. Y., Chicago & St. Louis	Nil	3.00	35¾	17¾	35	None	...	C-2	Finances strengthened. Sustained industrial activity augurs well for current earnings.

Position of Railroad Common Stocks—(*Continued*)

Railroad	Earned per Share 1935	Earned per Share 1936(e)	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
N. Y., N. H. & Hartford	Nil	Nil	5⅝	3	3⅝	None	...	C-4	Only moderate traffic gains scored this year. Finances restricted.
N. Y., Ont. & Western	0.01	Nil	7½	4	4⅜	None	...	C-3	Heavily dependent on anthracite movement. Prospects unenlivening.
Norfolk & Western	17.51	22.00	300	210	276	10.00†	3.6	C-1	Earnings of nearly $10 a share in 1st half suggest further extras.
Northern Pacific	0.17	0.25	36¾	23⅞	28	None	...	C-2	Current earnings may be adversely affected by drought. Finances excellent.
Pennsylvania	1.81	3.00	39	28¼	37	1.00*	2.7	C-1	Finances and earnings outlook would warrant a higher dividend.
Pere Marquette	1.00	1.50	44¾	25⅛	44	None	...	C-2	May take steps toward liquidation of back dividends on prior preferred shares.
Reading	2.08	2.20	48⅜	35½	40	2.00	5.0	C-2	Earnings continue to cover dividends. Sharp gain in passenger revenues.
Southern Pacific	0.62	3.00	40¾	23½	40	None	...	C-2	Traffic substantially larger and final half should produce large earnings gains.
Southern Railway	Nil	Nil	20⅝	12¾	18	None	...	C-2	Increase in non-operating income and traffic gains should permit full coverage for fixed charges.
Union Pacific	6.55	8.00	138¼	108½	136	6.00	4.4	C-1	Gross up 15% in 1st half. Further improvement indicated and dividends secure.
Western Maryland	Nil	Nil	12⅛	8⅛	10	None	...	C-2	Earnings up but large preferred accumulations detract from common stock prospects.

(e)—Estimated. * Paid this year—no regular rate. (a)—Company only. † Including extras.

HEAVY STOCKS THREATEN LIQUOR PRICES

Production of whisky in the month of May was the largest on record, with the result that stocks on hand increased to more than 281,000,000 gallons, a quantity which was more than existed at any time prior to Prohibition. The probabilities are that before the end of the Summer, stocks will exceed 300,000,000 gallons despite some let-down in production during the warm weather months. Against these record-breaking stocks of liquor must be measured the fact that consumption is considerably less than it was in pre-Prohibition years. A recent survey made by the United States Brewers' Association showed that notwithstanding the fact that 80 per cent of the population is now free to drink any sort of alcoholic beverage which it chooses, as compared with 35.4 per cent in 1917, the per capita consumption of hard liquor in 1917 was 1.62 gallons, whereas today it is little more than one-half gallon. Annual consumption of whisky is calculated to be between 72,000,000 and 75,000,000 gallons.

The implied threat to the price structure of the industry lies in the uncertainty as to whether this huge supply of whisky will continue to be held in warehouses and not forced upon the market. Should any of the leading distillers or a group of the smaller units find it difficult to finance their inventories of aging stocks, and be compelled to turn all or part of it into cash, prices of the cheaper whisky, both straight and blended, would most certainly be forced down. The fact, however, that the bulk of whisky supplies is concentrated in the warehouses of handful of the leading distillers, apparently well fortified financially, may keep the situation in hand.

In the face of the present situation in the liquor industry, the earnings outlook for representative companies is uncertain. Further, there has been a noticeable tendency of public preference to show wide swings from one popular brand to another in the short space of a few months, making it difficult to arrive at a reasonable estimate of earnings. Coupled with the obvious need for conserving cash working capital, these several factors lead to the conclusion that dividends on liquor issues will continue to be no more than a conservative portion of indicated earnings. It follows, therefore, that the leading companies are faced with larger taxes under the new tax law.

Position of Leading Liquor Stocks

Company	Earned per Share 1935	Earned per Share 1st 6 mos. 1935	Earned per Share 1st 6 mos. 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Distillers Corp. Seagrams	5.05(a)	NF	1.56(b)	34⅝	18¼	22	....	...	B-3	Internal changes may reverse recent adverse earnings trend. Dividends not likely in near future.
National Distillers	3.44	1.41	1.35	33⅜	25⅝	27	2.00	7.9	B-3	Leading domestic unit with largest stocks of aging whisky. Dividends apparently secure.
Schenley Distillers	7.65	2.88	2.52	52	37¾	40	0.75(c)	...	B-2	Company has shown strong competitive stamina. May pay another dividend later this year.
Hiram Walker	4.10(g)	3.87(d)	5.02(d)	34½	26⅛	33	2.00	6.6	B-2	Earnings showing good gains this year. Dividends secure. Finances comfortable.

NF—Not available. (a)—Fiscal year ended July 31. (b)—Nine mos. ended April 30. (d)—Nine mos. ended May 31. (e)—Estimated. (c)—Paid this year. No regular rate. (g)—Year ended Aug. 31.

ALL BRANCHES OF EQUIPMENT SHOW GAINS

The present year will be a good one for all divisions of the equipment industry: those divisions that did comparatively well in 1935 will prove to have done still better in 1936, while those that lagged last year will show unmistakably that they have begun to catch up with the field.

It is quite natural, of course, that the equipment industry should do well as business generally begins to emerge from a major depression. During the days of declining volume and mounting deficits under-maintenance was the rule rather than the exception and subnormal attention was paid to the matter of obsolescence. Today, companies have begun to catch up on the under-maintenance of the depression years; plant is being repaired and there is real interest in the savings to be effected through the installation of modern tools and apparatus.

This is neither to say that all divisions of the equipment industry, nor that every company in each division, register an equal degree of recovery. As a matter of fact, while the betterment has been general, some groups have recovered to a far greater degree than others in accordance with the progress made by those who buy their output. The electrical equipments are among the companies that have gained most ground, while the railroad equipments continue to lag, although there are now very definite signs of their business picking up.

Demand for Electrical Equipment Rising

So far, the electrical equipments have gained most in the light division of their business. There has been a tremendous demand for household electric refrigerators, washing machines, irons, etc. Nor is it to be supposed that the peak has been seen. A replacement demand is now becoming evident; also, there is increasing activity in residential construction and every modern house has to have its full quota of electrical equipment. The connection of all this new apparatus to the power lines, coupled with the increased demand for electricity for industrial purposes has driven electric power output to new, all-time record highs. This in turn has driven public utility companies to the thought of new generating and transmission equipment, despite the political cloud under which they are laboring. As yet, the actual placing of orders for heavy installations has not assumed normal proportions, but it seems to be coming and much enhances the outlook for the electrical equipments.

As has been said, the railroad equipments which long lagged at last show real signs of doing better. Weekly carloadings are well above the 700,000-car and are expected to move above the 800,000-car mark at the peak of traffic this fall. Such a development would mean an actual shortage of some types of rolling stock. At the same time, the reduction in passenger fares to 2 cents a mile has increased the number of people traveling by rail. It is reported that some roads have experienced a shortage of suitable motive power for their passenger trains. It is, of course, the increase in both freight and passenger traffic, and the consequent increase in revenues, that is the most potent factor in the favorable outlook for the railroad equipments. However, the new tax regulations may play a part in inducing the roads to purchase more freely than they would have done otherwise, for the amount that may be spent for deferred maintenance is not specifically limited in the new "undistributed profits" tax bill.

Business Equipments to do Better

During the depression, manufacturing plant equipment was not the only thing to be neglected: office equipment was treated similarly. Thus, have manufacturers of typewriters, calculating machines, bookkeeping and tabulating machines, etc., benefited. They have been under another favorable influence, however, which promises to continue to operate. Office records are becoming steadily more complicated under the flood of laws and regulations coming from Washington. New and more complicated tax laws, social security laws and the stream of edicts coming from the Federal Trade Commission and other Federal bureaus are among the factors making it necessary for business to keep more records.

There is so great a diversity of output among companies making machinery that they can hardly be covered specifically. By and large, however, they are doing much better, as business picks up and plants throughout the country begin to repair the ravages of depression. It is to be doubted whether the improvement in the field as a whole has more than barely started.

The farm equipments, it will be found, have been taken up in considerable detail elsewhere in this issue. The point is made that, while sales of farm equipment have suffered in areas afflicted by drought, they have been good elsewhere and that for the country as a whole farm equipment sales this year will be materially ahead of last.

Position of Leading Equipment Stocks

Agricultural

Company	Earned per Share 1935	1st 6 mos. 1935	1st 6 mos. 1936	Price Range 1936 High	Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
J. I. Case	5.60	NF	NF	186	92 1/2	168	....	...	A-1	Arrears on the preferred as of 7/1/36 totaled $7.50 Should certainly be eliminated before the year end.
Deere & Co	3.91d	NF	NF	89 1/4	52	74	....	...	A-1	Dividends accumulated on the preferred as of 6.1.36 totaled $3.35 a share.
International Harvester	3.27	NF	NF	90 1/2	56 5/8	84	2.50	3.0	A-1	Dividend just raised to present amount and, in addition, an "adjustment" dividend of 97 1/2 cents was declared.
Minn'l's-Moline Pwr. Impl.	Nil	NF	NF	12 3/8	6 1/2	8	....	...	A-2	Not yet commenced to liquidate large arrearage on the preferred.
Oliver Farm Equipment	def	NF	NF	54 5/8	24 [illegible]	44	....	...	A-1	Substantial earnings on the common expected to be reported this year.

Position of Leading Equipment Stocks—(*Continued*)

Railroad

Company	Earned per Share 1935	Earned per Share 1st 6 mos. 1935	Earned per Share 1st 6 mos. 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Amer. Brake Shoe & Fdry.	1.70	0.72	1.26	50⅞	40	50	1.60	3.2	C-1	June dividend increased from 30 cents to 40 cents. Another increase possible later on.
Amer. Car & Foundry	def b	NF	NF	41	30	37	....	...	C-2	Doing better. May pay something shortly on the preferred.
American Locomotive	def	def	NF	36¼	23⅛	27	....	...	C-2	Large accumulations on the preferred.
American Steel Foundries	Nil	def	1.00E	34⅜	20½	34	....	...	C-2	In June paid 50 cents on 7% preferred; arrears now $17.50.
Baldwin Locomotive	def	def	NF	6⅞	2½	4	....	...	C-2	Orders increasing sharply, although common is not a near-term dividend prospect.
General Amer. Trans	2.64	1.15	0.36a	63	42¼	53	1.75	3.3	C-1	May pay more before the year-end.
General Railway Signal	1.75	0.50	def a	50	32½	37	1.00	2.7	C-2	Outlook much improved.
Lima Locomotive	def	NF	NF	39¼	25⅞	32	....	...	C-2	With the railroads commencing to buy equipment in earnest, prospects are much better.
New York Air Brake	def	def	1.26	46½	32½	46	.... ‡	...	C-2	Profit replaces a loss. Dividend of 50 cents recently declared on common.
Poor & Co. "B"	Nil	0.09	NF	19¾	12	17	....	...	C-2	Dividend arrears on the "A" stock.
Pullman, Inc	def	0.06	0.60E	51¾	36⅞	51	1.50	2.9	C-1	With the outlook so much improved, present dividend should be quite assured.
Union Tank Car	1.26	0.52	NF	31⅝	22⅝	28	1.20	4.3	C-1	Financially very strong: may pay more.
Westinghouse Air Brake	0.30	def	0.43	48⅛	34¾	41	1.00	2.4	C-1	Railroads begin to buy; a further gain in earning power is expected.

Business

Company	Earned per Share 1935	Earned per Share 1st 6 mos. 1935	Earned per Share 1st 6 mos. 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Addressograph-Multg	1.11	0.43c	0.63c	28	22⅛	27	0.60	2.2	B-2	Earnings justify expectation of larger payment within reasonably near future.
Burroughs Adding Mach	1.02	0.51	NF	33¼	25	29	0.60*	2.1	B-2	Further extras likely.
Int'l Business Machines	9.88	4.94	5.20E	185¼	160	165	6.00*	3.6	B-2	Earnings cover current dividend by handsome margin. Year-end extra probable.
National Cash Register	0.93	0.43	0.21a	30	21½	26	0.50	1.9	B-2	Doing better: might pay more later on.
Remington-Rand	1.24e	NF	NF	23¾	18⅛	20	0.60*	3.0	B-2	Sales for June quarter up 21.4%; unfilled orders largest since 1929.
Underwood-Elliott-Fisher	4.36	2.06	2.08	99	74⅝	85	3.00	3.5	B-2	Earnings this year will cover present dividend with good margin to spare.

Machinery and Electrical Equipment

Company	Earned per Share 1935	Earned per Share 1st 6 mos. 1935	Earned per Share 1st 6 mos. 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENTS
Allis-Chalmers	1.47	0.42	1.40E	50½	35⅜	48	1.00	2.1	A-1	Business prospect is such that company is likely to increase the dividend shortly.
Amer. Machine & Foundry	1.12	NF	NF	29⅞	21	23	0.80	3.5	A-3	No near-term change in present dividend expected.
Bucyrus-Erie	Nil	Nil	NF	14¼	8⅞	12	....	...	A-2	Stockholders to vote on plan to eliminate arrears on preferred.
Bullard	1.06	0.11	NF	31⅛	20¾	28	‡	...	A-2	Paid 25 cents in June, the first distribution to stockholders in six years.
Caterpillar Tractor	3.16	1.55	2.38	79	54¾	76	2.00	2.6	A-1	Likely to pay more, for earnings are far in excess of present dividend.
Chicago Pneumatic Tool	0.48	0.18	1.16a	20½	12½	17	....	...	A-2	Expected to resume dividends on the preferred within the near future.
Cutler Hammer	1.82	0.67	1.73	65	43¼	58	1.00*	1.7	A-1	Further extras, or even an increased regular rate seems quite likely.
Ex-Cello-O Aircraft & Tool	0.87	0.55	0.35	23⅝	14¼	19	‡	...	A-2	Just declared a 15-cent dividend, the first since July, 1930.
Fairbanks, Morse	2.47	0.40	1.35	53½	34¾	53	....	...	A-1	With earnings estimated as high as $3 a share for 1936 might well pay something before the year-end.
Food Machinery	2.43f	NF	NF	47½	32	37	1.00	2.7	A-1	Earnings for the current fiscal year will be ahead of last.
Foster Wheeler	def	def	NF	38¾	24⅛	29	....	...	A-2	Doing better, but the issue is hardly a near-term dividend prospect.
General Electric	0.97	0.40	0.58	42⅞	34½	42	1.00	2.4	A-1	Business much improved. May pay a small extra before the end of the year.
Ingersoll-Rand	3.50	NF	NF	147	106	133	2.00*	1.5	A-1	Rich company; further extras provable.
Mesta Machine	3.11	NF	NF	51¾	40⅜	51	3.00	5.9	A-2	Present dividend believed to be well assured.
National Supply	Nil	Nil	0.53a	55	19⅞	55	....	...	A-2	Large dividend accumulations on the preferred.
Niles-Bement-Pond	1.54	NF	NF	44⅞	28½	38	‡	...	A-2	A 50-cent dividend paid in July, the first since 1932.
Walworth	def	def	NF	10	5½	7	....	...	A-3	Earned $10,000 before federal taxes in the first quarter.
Westinghouse Elec. & Mfg.	4.50	2.35	2.98	136½	94½	136	4.00	2.9	A-1	Dividend recently raised: may be raised again before long.
Weston Elec. Instrument	0.98	0.25	0.18a	33¾	22⅝	28	‡	...	A-2	With all arrears on the "A" now cleared up, a dividend of 25 cents is declared on the common.
Worthington Pump & Mac	def	def	NF	35½	23⅛	30	....	...	A-2	Large accumulations on the two preferred issues.

NF—Not available. E—Estimated. a—1st quarter. b—Year to April 30, '36. c—1st four months. d—Year to Oct. 31. e—Year to March 31, '36. J—Year to Sept. 30. * Plus extras. ‡ Recently paid a dividend; no regular rate.

Signs of Business

BUSINESS news continues generally encouraging. Steel operations are at a high rate and the assembly of 1936-model cars is proceeding as if it never heard of the usual summer slump. Some let-down will yet materialize, no doubt, and soon at that, but all evidence, however, points to the change-over to next year's models causing a minimum of disturbance. At the same time, there is the output of electric power which is making a succession of all-time record highs. This is a logical reflection of the greatly increased demand for electric refrigerators, washing machines and other household apparatus, coupled to the improving rate of manufacturing and commercial activity. Nor must it be forgotten that carloadings are well above a weekly mark of 700,000 cars and that at the peak this fall they must inevitably go considerably higher.

It is quite evident, looking at the business picture as a whole, that the summer recession this year will be quite minor and there is some doubt as to whether it will be seen at all. Fortunately, this does not mean that the business being done now is robbing the autumn volume in any important way. Crops must move, except in the worst of the drought-stricken areas; people will, as usual, buy fuel and clothes before the onset of the winter and the result of seasonal influence inevitably will bring about a pick-up in general business regardless of any exceptional activity this summer. Below will be found some of the specific signs of the progress business is making.

Earnings Up

The rush of second quarter earnings statements now coming to hand make, on the whole gratifying reading. In the June quarter ***General Electric*** showed earnings of 33 cents a share, compared with 21 cents a year ago; ***Westinghouse Electric*** $1.58 against $1.48 and the showing would have been much better had the company not charged against last quarter's earnings approximately $1,500,000 for flood damage. This is not far from 80 cents a share so that, if there had not been such damage, earnings would have been more than $2.30 a share for the three months. Concrete evidence of the improvement developing in railroad equipments was the 27 cents a share reported by ***Westinghouse Air Brake*** for the June quarter, against a mere 2 cents last year.

Municipalities are laying more gas and water pipe which undoubtedly helped ***U. S. Pipe & Foundry*** to show earnings of $1.84 a share for the half year, against 25 cents a year ago. As might have been expected from the activity in the automobile industry, automobile accessories have been doing well. ***Motor Products*** showed $1.36 a share for the June quarter compared with $1.02 a year ago; ***Clark Equipment*** 72 cents on the common against 33 cents on the preferred; ***Reynolds Spring*** 97 against 45 cents and ***Young Spring & Wire*** $1.81 compared with $1.40.

Although the food companies are not reporting uniform improvement, a number of important ones have been doing better. ***Corn Products,*** for example, showed earnings of 84 cents a share in the June quarter this year against 52 cents last year. (It may be hard to hold the gains with the price of corn soaring); ***Beech - Nut's*** June quarter brought results of $1.36 a share compared with $1.01 in 1935; ***General Baking*** thirteen weeks to June 27, 30 cents a share, exactly double the showing of the corresponding previous period; and ***Shattuck*** 19 cents a share in the June quarter compared with 7 cents a year ago.

Oil company reports are not wholly representative, but those that have been issued up to now are good. ***Barnsdall*** earned the equivalent of 54 cents a share of common for the first six months of 1936 compared with a loss of $346,000 last year; ***Seaboard Oil*** reported 49 cents a share in the June quarter against 33 cents in 1935; ***Shell Union Oil*** 54 cents in the June quarter against 8 cents; and ***Atlantic Refining*** 38 cents against 14 cents.

The pick-up in building operations is being reflected in corporation earning statements. ***U. S. Gypsum*** for the first six months this year earned $1.65 a share compared with $1.14 last year; ***International Cement*** $1.10 against 54 cents; while ***Johns-Manville's*** earnings for the second quarter this year jumped $1 over the 56 cents reported last year.

Sales Increasing

For the four weeks ended July 16 ***Sears, Roebuck*** had sales of $39,841,752, the largest in its history for the period and 32.5% ahead of the corresponding period of 1935. The mail order houses are now sending out their Fall and Winter catalogues. This year, price changes are minor.

Beer sales in June broke all records, being 30% ahead of last year. Sales for the first six months of 1936 were more than 55% ahead of 1935.

On Tuesday, July 21, all records for volume in the sale of copper were broken. Approximately 212,000,000 pounds of the metal changed hands. The unprecedented activity was the result of buyers attempting to fill their

Progress

needs before the new, and higher, price became effective.

While on the subject of all-time records, one might mention that cigarette output in June broke another one. Cigarette output for the first six months was 11% greater than in 1935.

Passenger traffic over the ***B & O*** in June was 25% higher than in June, 1935, while passenger revenues were up 16%. Among the Eastern roads this is the one that most wanted the recent reduction in fares; it is by no means, however, the only road that has experienced increased passenger traffic as a result of the reduction.

Undertaking Plant Expansion

Having arranged for the building of a new plant for the production of paper at Savannah, Georgia, ***Union Bag & Paper*** has decided to double its capacity while still uncompleted. The additional equipment will involve the expenditure of approximately $2,750,000.

Abandoned in 1932, the rubber reclaiming plant of the ***Goodrich Tire & Rubber Co.*** at Oaks, Pennsylvania, is to be changed over to the production of tires. Capacity will be about 450 tires a day.

International Nickel's West Virginia plant which produces Monel Metal, Inconel and pure nickel in commercial shapes is operating at approximately the 1929 level. A new 25-ton open hearth furnace is to be installed, additions to the administrative offices made and laboratory facilities enlarged.

Keystone Pipeline of Philadelphia has applied to the Public Service Commission to extend its pipelines across the central part of the state. The proposed extension would serve an area containing more than 500,000 people whose consumption of refined petroleum products is said to be some 78,000,000 gallons annually.

Bunker Hill & Sullivan's subsidiary, Northwest Lead, is to place $200,000 into a new lead plant near Seattle.

Of the eight, new, 105,000-barrel tankers for which contracts have been awarded by the ***Standard Oil Co. (New Jersey)*** Federal Shipbuilding & Drydock is to build four, Bethlehem Shipbuilding two, and Sun Shipbuilding two. The aggregate cost is in the neighborhood of $13,000,000.

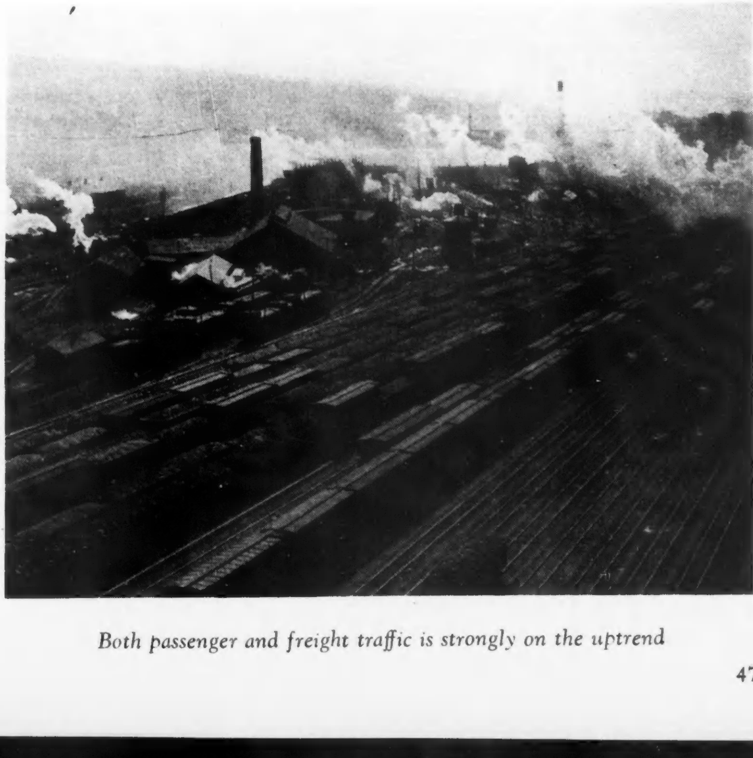
Exploiting New Products

Southern Pacific has decided to exploit the trend towards light-weight, stream-lined trains. Two have been ordered for the road's coast line between San Francisco and Los Angeles. They will be light weight steamers and the trip will be made in not more than ten hours.

The ***American Bantam Car Co.*** of Butler, Pennsylvania, is planning to enter the $300 auto price class with light commercial trucks, passenger cars and a sport speedster. Emphasis is to be placed on the light delivery truck market with a truck of quarter-ton capacity which will operate 100 miles at a cost of 50 cents.

Link-Belt is producing a new control apparatus for shovels, draglines and cranes. The new apparatus is a power control with short, easily-operated levers and will replace the formidable four-foot ones which are now so prominent a feature of steam shovels and like machines.

The trailer business certainly has been going strong. So far it has been scattered among scores of different builders, most of them small. It will be surprising indeed, however, if the automobile industry does not shortly take up the building of trailers. As a matter of fact, ***Mullins Manufacturing*** is already in the market with an all-steel luggage trailer which can be converted for camping. Although this is not quite the same thing as the "house" type trailers which have proved so popular, the idea and principles are the same. Perhaps ***Fisher Body,*** now that its wood-working activities have been so curtailed by the swing to steel, will go after trailer business.



Both passenger and freight traffic is strongly on the uptrend

Low-Priced Stocks for Price Appreciation

Four Opportunities In
Four Different Industries

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

North American Aviation, Inc.

Factors favorable to the status of the shares of North American Aviation are of a nature appealing primarily to the investor with an eye to the future and the necessary patience to match his vision. The company although firmly established in two major divisions of the aviation industry, nevertheless, is still in the development stage, with its greatest measure of growth and earnings still ahead. It is a company which has full opportunity to participate in the future growth of aviation and consolidate its position as one of the leading units.

Net Income 1935	1st 3 mos. 1935	1st 3 mos. 1936	Recent Price	Div.	Yield
d$18,417	d$37,000	$34,000	$8	None	..

d—deficit

North American Aviation since the beginning of 1935 has functioned as an operating company, with activities divided into two divisions—transport and manufacture. Eastern Air Lines, operated by the company, comprises a system of air routes of about 3,300 miles, the third largest air line in the United States. Both mail and passengers are carried over three principal routes, (1) Newark to Miami, (2) Newark to New Orleans and (3) Chicago to Jacksonville. The value of these routes lies in their importance as a connecting link between the central points of New York and Chicago and the South American routes of Pan American Airways which have a terminal at Miami. Eastern Air Lines has also been benefited by the increasing popularity of air travel by tourists to southern resorts during the winter months.

The company's manufacturing facilities are employed exclusively in the development and manufacture of military aircraft for the United States Government. An up-to-date plant is located on a 20-acre tract at the Los Angeles Municipal Airport, and another specializing in the manufacture of landing gears is located in Dunkirk, Maryland. In competition last year, two of the company's entries, an army training plane and an observation plane were accepted by the Government.

Last year the company's total transportation revenues and aircraft sales aggregated $3,674,893, comparing with less than $2,000,000 in 1934. The number of passengers carried increased 70 per cent and the number of revenue miles flown with passengers were up 130 per cent. Air mail poundage nearly doubled last year and the company entered 1936 with unfilled orders for equipment on its books amounting to $1,300,000. With the advance in operating technique and experience, transport operations are showing increasing efficiency and lower costs. To the same end the recent addition of a fleet of new transport planes should make important contributions.

North American Aviation has no funded debt or preferred stock, capitalization consisting of a single class of stock outstanding in the amount of 3,435,033 shares, of which nearly 30 per cent is owned by General Motors Corp. Not only is the latter affiliation important from the standpoint of sponsorship, but doubtless North American could count on the engineering and financial support of General Motors.

As might be expected of a comparatively young enterprise such as this, earnings record has not been very impressive. More important, however, is the fact that the recent trend has been decidedly better. Last year, the company's operating loss amounted to only $18,417 as compared with $1,061,372 in 1934. In the first quarter of the current year, the company reported a profit of nearly $34,000 as compared with a loss of about $37,000 in the same months of 1935. While the second and third quarters are normally the least active for the company, results for the current year as a whole should afford favorable comparison with 1935. Financial position is excellent. Frankly speculative at this point, the shares around 8, however, would seem to possess elements of considerable potential value.

Lone Star Gas Corp.

The Lone Star Gas Corp., is identified with one of the fastest growing divisions of the public utility industry —the production, distribution and sale of natural gas. The company ranks among the foremost natural gas units in the country. The persistent expansion in natural gas sales in recent years reflects not only the superior qualities of natural gas as a fuel, but the development of improved pipe line facilities has greatly widened the area to which natural gas can be made available. Many communities which heretofore were served by manufactured gas have

found it advantageous to switch over to natural gas either as such or mixed with manufactured gas.

These developments are fully reflected in the operating results of Lone Star Gas. Gross income of the company which reached a peak in 1930, just short of $20,000,000, has recovered sharply from the 1933 low of $15,798,586. In 1934 revenues totaled $16,263,086 and the gain last year carried them to $17,554,050. Exclusive of revenues from other sources, sales of natural gas increased 6.4 per cent in 1935.

Earnings Per Share 1934	1935	Recent Price	Div.	Yield
$0.59	$0.77	$13	0.40	3.0

While the company is in effect a holding company, operating subsidiaries are 99 per cent controlled, with the exception of the Northern Natural Gas Co., in which a 30 per cent interest is owned. Facilities include about 4,500 gathering and transmission lines and eight gasoline recovery plants. More than 300 communities in Texas, Oklahoma, Washington, Oregon, Idaho and Iowa are served by either natural or manufactured gas. Properties, of course, include fee lands and oil and gas leases.

Capitalization of Lone Star Gas is not only well balanced but is readily supportable by the company's earnings even in the leanest of depression years. For many years the company has not failed to show something available for its common stock. Consolidated funded debt is less than $20,000,000, interest charges on which were covered better than four times last year. There are 79,985 shares of 6½% preferred stock outstanding and 64,160 shares of 6% preference stock. Outstanding common stock totals 5,368,548 shares. Currently the common is paying dividends at the rate of 40 cents annually having been advanced from 30 cents earlier this year. The increased rate was wholly warranted by earnings last year. Net income, after preferred dividends in 1935 was equal to 77 cents a share on the outstanding common, as compared with 59 cents in 1934. The company recently was ordered to lower its rates in twenty-six Oklahoma cities and while this may have a restricting effect upon gross and net this year, it is likely to prove of no more than temporary consequence, to be offset in the long run by normal expansion in the use of natural gas. In any event, it is a safe assumption that current earnings will adequately support dividends and may, in fact justify another increase in the near future. Among lower priced issues, Lone Star common invites favorable consideration as a promising medium for income and gradual price enhancement.

National Acme Co.

New plant facilities, replacement of outworn and obsolete machinery and sustained activity in the automobile industry have all combined to bring about a definite revival in the machine tool industry. Many divisions of the industry are operating at capacity and there are numerous instances where unfilled orders are mounting faster than shipments. For investor participation in the machine tool industry, the shares of National Acme offer well founded inducements.

Earnings Per Share 1935	1st 6 mos. 1935	1st 6 mos. 1936	Recent Price	Div.	Yield
$0.51	$0.17	$0.61	$16	$0.25*	..

* Recently paid. No regular rate.

National Acme is an old established enterprise, engaging in the manufacture of single and multiple spindle automatic screw machines, turret lathes and chucking machines. During the depression the company developed the new Model R automatic machine at a cost of approximately $250,000 and the management anticipates that the potential demand for these machines is more than 20,000 units merely to replace its older machines now in use and which would be made obsolete by the new model. Not as important but serving to round out the company's line are such products as screw machine items, threading tools and general manufacturing. Among the company's customers are to be included many industries, but the principal outlet is the automobile industry. However, with general business recovery spreading over a wider area, other industries should account for a larger portion of sales. Foreign business likewise should assume greater importance. Normally, export sales account for about 20 per cent of the total volume. Recently the company received orders from abroad totaling about $700,000.

The nature of the company's business obviously is such that it is unusually sensitive to the degree of prosperity in general manufacturing activities, a condition which has been responsible for rather wide fluctuations in the earnings of National Acme in the past. Recent years, in reflection of this characteristic trend, have shown gradual improvement. Last year net earnings applicable to the 500,000 shares of capital stock were equal to 51 cents a share, comparing with 28 cents a share earned in 1934. Of particular significance was the fact that earnings in the final quarter of 1935 were more than twice as much as those shown for all of the first nine months. This sharp gain in the final three months was carried through to the initial half of the current year and profits were the best for any six months since 1930. The capital stock earned the equivalent of 61 cents a share, whereas in the first half of last year net was equal to only 7 cents a share. Partly responsible for the better showing this year was the advance of 10 to 12% in the prices of screw machines.

Ranking ahead of the stock is funded debt of $1,676,000. At the end of last year total current assets of $3,328,568 compared with current liabilities of only $314,436. The recent resumption of dividends by the declaration of a 25-cent payment should be followed by further disbursements later, and the shares appear destined for higher levels in the months ahead.

National Power & Light Co.

With both domestic and industrial demand for electrical energy recently at a new high level, plus the growing conviction that the Public Utility Act of 1935 will be found to be unconstitutional, representative utility shares have been meeting with increasing favor on the part of the investing public. Of those in the low-price bracket, the shares of National Power & Light Co., are particularly interesting.

Earnings Per Share 12 mos. May 31, 1935	12 mos. May 31, 1936	Recent Price	Div.	Yield
$0.83	$0.88	$12	0.60	5.0

National Power & Light Co., one of the more important Electric Bond & Share affiliates, is a holding company controlling subsidiaries supplying electric light and power, gas, transportation and other utility services in various regions of Alabama, South Carolina, North Carolina, Pennsylvania, Tennessee and Texas. Communities served are of both the urban and suburban type and include a number of large industrial centers. Under the provisions of the Public Utility Act, the company would undoubtedly be compelled to revamp its present setup extensively, but the probabilities are

(Please turn to page 499)

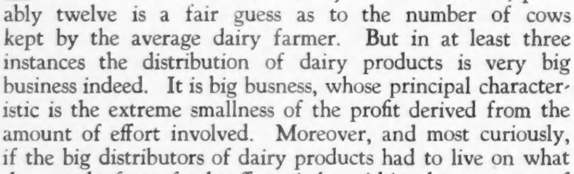
Three Dairy Stocks Face Better Outlook

Firm Prices and Increased Consumption Should Lift Profits in Coming Month

By J. C. Clifford

DAIRYING is characteristically a small business; probably twelve is a fair guess as to the number of cows kept by the average dairy farmer. But in at least three instances the distribution of dairy products is very big business indeed. It is big busness, whose principal characteristic is the extreme smallness of the profit derived from the amount of effort involved. Moreover, and most curiously, if the big distributors of dairy products had to live on what they made from foodstuffs strictly within the category of dairy products, they would almost starve to death.

Of the three publicly-owned companies dominant in the field, National Dairy Products Corp. is the largest. Sales last year exceeded the huge total of $290,000,000, out of which $9,338,205 was retained as net profit, or roughly 3.2%. The Borden Company's sales fell just short of the $230,000,000, from which a net profit of $4,842,349 was derived, or 2.1% of sales. Beatrice Creamery for the year to February 29, 1936, had sales of $57,117,065 and a net profit of $885,150, or 1.6% on sales. In no case has "other income" been deducted, so that actually the operating profit was smaller than these figures indicate.



Courtesy, Beatrice Creamery Co.

Churning butter by modern methods

While the three companies are distinctly competitors of one another, history does not run along the same lines in every case, nor are the activities of the three identical. Borden, for example, was founded originally eighty years ago as a condensed milk business and even today is much more interested in canned milk, malted milk, baby food, and casein products than the others. In their recent history, however, the three companies have one thing in common: all have expanded mightily during the post-war years. By far the greater part of this expansion was achieved by the acquisition of established companies, usually for a stock consideration. Today, each of the three companies operates virtually throughout the country; in the case of Borden the business could almost be said to be international, for there are a number of products manufactured by this company that are known the world over.

As carried on today, the business of distributing dairy products is anything but simple. Mainstay, of course, is milk. This is collected from individual farmers through a system of stations and sub-stations and the bottle of milk that an apartment dweller in the big eastern cities finds outside his door every morning may have originated from any of a thousand different farms. Or, the farmer may elect to sell only his cream and feed the skimmed milk to his calves. Part of the milk is sold as such after pasteurization and bottling, some of it going to wholesalers, but the greater portion finding ultimate distribution via the wagon routes maintained by the companies themselves. As for the cream, this goes through a distribution similar to milk or winds a hygienic way through coolers and churns to emerge as butter.

The actual operation of the dairy products business on a

large scale is a real feat of organization. There is the constant war which must be waged against dirt and bacteria; problems resulting from the weather. (How would *you* like to drive a milk truck through two feet of snow and ice with the temperature twenty degrees below zero?) Then, there is the never-ending bottle annoyance; the constant effort to raise the percentage returned and weed out those that come back smelling of kerosene or with unremovable deposits of goo at the bottom. All this, of course, is in addition to the managerial problems of seeing that there is always enough milk, etc., on hand to meet customers' requirements and that as little as possible of the inevitable surplus goes to waste (practically none of it does, for it goes into manufactured milk products). Finally, there are all the laws of the different states with which to comply —all kinds of sanitation laws, to which in recent years a number of states have added milk-control laws, whose main objectives are to see that the farmer gets more and the consumer pays less. If the distributor finds himself squeezed: well, that's his fault for being a milk distributor with fewer votes than farmers and less kicking power than the public at large.

Nor is this but half the business of the big dairy companies. The handling of milk, cream and butter led quite naturally to the handling of other things. If one buys a farmer's butter: why not his poultry and eggs? So the companies have added these—not very happily it must be admitted in recent times. Also, if one has to maintain cold-storage plants for butter, poultry and eggs: why not enter the cold-storage business? So this, too, is now a dairy company activity.

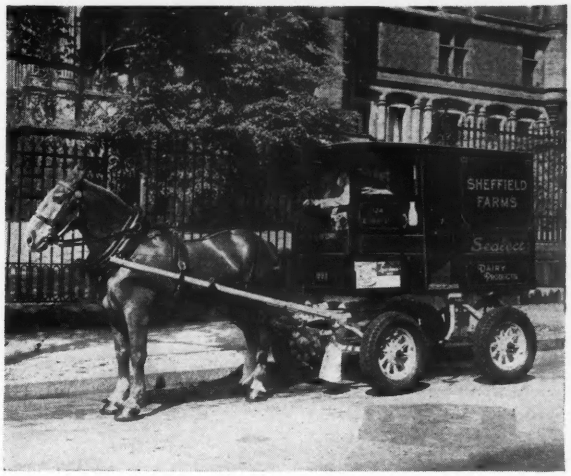
Manufacturing Lines

The foregoing might be termed "primary" expansion: it is, however, in that which might be termed "secondary" expansion that the dairy companies have been most successful. By this is meant the extension of manufacturing activities to ice cream and cheese and the extension of distribution facilities to such things as orange juice. Of all the products handled by the dairy companies, day in and day out, ice cream is the most profitable.

Ice cream is handled by each of the three companies in huge volume. For the most part, the well-established trade-names of acquired companies have been retained, or rather, the two largest concerns, National Dairy and Borden, have retained such names, while Beatrice, the baby of the family, stakes everything on the nationally advertised "Meadow Gold." National's best known brand of ice cream is probably "Breyer's," while Borden has its "Reid" and "Horton" brands.

So far as cheese is concerned, National is the leader, a position won through the acquisition of the Kraft-Phoenix Cheese Corp. in 1930. This latter company was no small concern in itself. It had sales of $85,000,0000 a year and its brands "Kraft," "Phoenix," "Nukraft," "Philadelphia" and others were widely known here and abroad. Borden is also a large cheese producer of several well-known brands and, as has been said, is the strongest of the three companies in the condensed and malted milk line; while Beatrice, for its size, is the more concentrated in butter than the others.

The financial experience of the three companies has run distinctly along parallel lines. The year 1930 was the banner year for the business. It was then that National Dairy showed more than $25,000,000 available for its common stock, or the equivalent of $4.10 a share on the amount outstanding; then that Borden reported net income of $20,500,000 (after deductions for a profit-sharing plan) or the equivalent of $4.85 a share on the outstanding common;



Courtesy, National Dairy Co.

Rubber now enables milk to be delivered quietly

while Beatrice's net income for the twelve months to February 28, 1931, was equivalent to $7.12 a share on the outstanding common.

Such a showing, however, was evidently too good to last and the dairy companies, which had been widely advertised as "depression proof," began to fell the pinch in no uncertain terms. It developed that dairy products was *not* a line which the public went on buying, regardless of whether or not incomes had been slashed in half, or worse. As unemployment mounted and salaries and wages were reduced, the consumption of dairy products began to fall off as did everything else. At the same time, both producer and distributor began to pay for the inordinately good times of the past, which laid the groundwork for greatly increased milk production. Decreased consumption and increased production naturally spelt price demoralization. And this is exactly what happened, to be followed subsequently by milk strikes and riots on the part of farmers, leading eventually to the milk commissions and control boards that exist today.

Never Lost Money

Nevertheless, despite all their problems, the financial record of the dairy companies has been a good one. Not one of the three major concerns in the field ever reported an operating loss and the stockholders of the two largest, National Dairy and Borden, received dividends on their hold ings in each of the depression years—a record of which no company need feel ashamed. In some ways, however, recovery from the depths has not been as rapid as one might have thought. There have, of course, been reasons for this: among them, one might include the increased expense of the now defunct N R A, the general increased tax burden and the injection of the deadly hand of politics in a business that had previously been relatively free of it.

For last year, National Dairy Products reported earnings, after all charges and deductions, equivalent to $1.38 a share on each of the 6,263,165 shares of no-par common stock outstanding. This compared with earnings of 93 cents a common share for 1934. For the first six months of 1936, the company reported a net profit of $5,928,096, after depreciation, interest, taxes, etc. This was equivalent, after dividend requirements on National Dairy's preferred, to 89 cents a share on 6,263,165 shares of common stock. In the corresponding previous period net profit was equivalent to 49 cents a share of common. Thus, the company

was not so far from earning during the first half the $1.20 which is currently being paid as a regular annual dividend. If nothing interferes with a similarly profitable second half, an extra sometime this year, or early next, would appear to be a possibility.

National Dairy Products recently improved the position of those holding its common stock by a major refunding operating. Some $66,000,000 in 5¼% debentures were retired with funds provided by the sale of $62,500,000 3¾% debentures and bank borrowings of $7,000,000. The new bonds have warrants attached to buy common stock at $25 a share up to May 1, 1938, for each $100 principal amount of bonds and at $28 a share until the expiration date of the warrants on May 1, 1940. Under the indenture any money received by the company through the subscription to common stock—an amount which might be anywhere between $15,000,000 and $18,000,000—must be applied to the retirement of the new debentures. This, coupled with the annual sinking fund retirement of 1½% of the debentures and the payment out of earnings of the $7,000,000 in bank loans over a five-year period, means that in all probability there will be a debt of only some $30,000,000 about which to worry when the new debentures finally fall due in 1951—assuming, of course, that the right to call them prior to maturity has not been exercised. Savings in interest charges will start about the $1,000,000-a-year-mark and grow progressively greater, although offsetting a part of this there will be a dilution of stockholders' equity as warrants are exercised and regular dividends are paid on the additional stock. Ranking ahead of common stock in the company's capitalization, National Dairy Products has only the 3¾% debentures and bank loans described above and less than $10,000,000 in 7% "A" and "B" preferred stock.

The Dairy Companies Compared

	National Dairy Products	Borden	Beatrice Creamery
Sales last year	$290,441,358	$229,888,089	$57,117,065
Net income	9,338,205	4,842,349	855,151
Number of shares outstanding	6,263,165	4,396,704	377,719
Earned per share	$1.38	$1.10	$0.41
Current dividend	1.20	1.60	1.00
Current price per share	$28	$30	$23

Borden's Earnings

For last year, Borden's earnings of $4,842,349, after interest depreciation, taxes and other charges was equivalent to $1.10 a share on 4,396,704 shares, excluding 21,254 shares held in the company's own treasury. This compared with earnings of $1.02 a share in 1934. It seems, however, that the meager improvement in earning power can be attributed to causes now largely eliminated, for the annual report stated: "Current operating losses of the produce division, together with losses attending the liquidation of certain of its operations, contributed principally to the unfavorable results of 1935." Last year was the fourth for which Borden failed to report earnings sufficient to cover the regular dividend on its common stock. Today, this regular dividend is $1.60 a share. Whether the payment will be covered in 1936 is problematical: reports are made but once a year. With the whole industry doing better, however, it would be quite unreasonable to place this company in the category of exception. Thus, strong evidence points to the dividend being covered. In any event, its payment should be quite safe, if only for the reason that current assets at the end of last year included nearly $20,000,000 in cash, and marketable securities of more than $5,000,000 (at cost). Total current liabilities were slightly in excess of $12,000,000. Unlike National Dairy, Borden's stockholders are the sole owners of the business; the company is happily situated in having neither funded debt nor preferred stock.

In the case of Beatrice Creamery, net profit of $855,150 for the fiscal year to February 29, 1936, compared poorly with the profit of $1,229,614 shown for the previous twelve months. In the later period, the net profit was equivalent after dividend requirements on the preferred to 41 cents a share on the outstanding common stock. For the three months ended May 31, this year, net profit of $90,644, after interest, depreciation, taxes and other charges, was equivalent to 90 cents a share on each of the 100,000 shares of 7% preferred stock *then* outstanding. In the corresponding previous three months a loss of more than $200,000 was experienced.

The reference to "then outstanding" in connection with the 7% preferred draws attention to the fact that this stock is currently being eliminated. Holders were offered a new $5 preferred with warrants attached and a $5 cash premium to make a share-for-share exchange. About 67% of them accepted the offer. The stock of those that did not is being redeemed for cash at $110 a share on October 1, next, the funds being provided from the public sale of the unexchanged $5 preferred. When this operation is completed, Beatrice Creamery will have outstanding 100,000 shares of $5 preferred, warrants to buy 100,000 shares of common at $25 a share up to July 1, 1938, and at $27.50 a share up to July 1, 1941, and finally 377,719 shares of common stock of $25 par value. There is no funded debt.

The official reasons given for Beatrice Creamery's disappointing showing last year are not only interesting as an explanation of why the company failed to do as well as its contemporaries, but serves to cast considerable light on the troubles which are likely to beset a distributor of dairy products at any time. The company said: "The creamery butter department was one of the factors accounting for the decrease in earnings for the year. The year started with a very high selling price which had advanced faster than the consumer's purchasing power, adversely affecting the consumption of butter during the spring months. This, together with a market decline of 12¾ cents a pound between April 10 and June 1, 1935, caused losses which were not offset by appreciation in inventory later in the year. On February 29, 1936 (the close of the company's fiscal year), the butter market was 35¼ cents. Within five days thereafter the market had declined 4¼ cents a pound. The management therefore felt it advisable to write down the butter inventory accordingly. This resulted in a reduction of profits amounting to $54,301.53."

Money Lost on Eggs

If the butter business was poor, the egg business was evidently worse, for the company goes on to state: "The egg department contributed to the decrease in earnings, as operating conditions in the egg industry were about the poorest in the history of the company. This department lost money for the year because of a declining market which continued over many months, the market finally reaching a low point in January of 16 cents for storage eggs and 21½ cents for fresh eggs. Due to the restricted volume on account of unsatisfactory operating conditions, and the severe winter causing a light movement of produce, the

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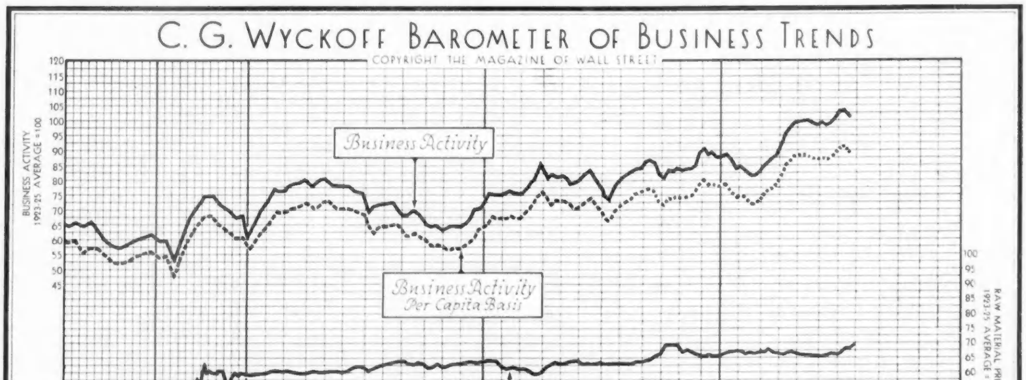
The Business Analyst

—Slight Recession Ahead
—Retail Trade Active
—Machine Tools in Demand
—Steel Holds to High Level
—Oil Profits Higher

AFTER advancing to 90.8% of normal, a new high since May, 1930, and 38% ahead of last year at like date, the Business Activity index, on a per capita basis, has recently given evidence of a slightly reactionary trend. On economic grounds also there are reasons for believing that the annual rate at which our national income is being produced may have reached a temporary peak, both absolutely and in comparison with a year ago. Last year witnessed a sharp pick-up in general business activity after the middle of July. This year the spurt has come earlier, owing to certain artificial stimulants, such as the soldiers' bonus, fear of labor trouble, announcement of higher steel prices on third quarter business, and drought-impelled advance buying of farm staples, foodstuffs and textiles. Most of these influences appear to have about spent their force, and the logical aftermath would be a somewhat greater than normal seasonal recession in the general volume of business during the next few weeks.

Thus far, however, reports of demand for capital goods, national income paid out and sales at retail continue to make favorable comparisons with last year. For June, machine tool orders gained 8.3% over the previous month and 41.3% over June, 1935. Moreover, the improvement was all in domestic business which many concerns are having difficulty in handling promptly owing to a shortage in skilled labor. Building contracts awarded in 37 states east of the Rockies showed a rise of 57% over June, 1935, while residential permits in May were up 78.3% in comparison with the like month of last year. In the real estate field there is now both a desire to lend and the will to build. Insurance companies, with steadily mounting cash reserves and shrinking income from high grade bonds, are actively lending on new projects. New corporate capital raised in June through flotation of securities came to 233 millions, against only 148 millions for June a year ago.

Dividends declared in June were 15% ahead of the previous month, and the most liberal for any June since 1931. Department store sales during the past fortnight have made favorable comparison with last year, taking the country as a whole; but have been unevenly distributed, a rather conspicuous falling off having appeared in drought stricken areas, while purchases of apparel were abnormally stimulated elsewhere by the heat wave. A rather pronounced drop in retail sales throughout the worst drought areas has in fact been chiefly responsible for the recent greater than seasonal contraction in automobile assembles. Report of retail business for June, however, discloses no let-up in the rate at which consumer goods have been moving. Thus department store sales were up 12% in dollar totals, as compared with June, 1935, though gaining only 8.5% in unit volume, owing to an average advance of nearly 3% in retail prices; chain store sales improved 17%, against only 11.4% for the first six months; rural sales of general merchandise increased 12.5%, compared with a six-months ex-



pansion of only 11%; while new life insurance written in June gained 9%, against a decrease of 1.8% for the first six months.

Rains and cooler weather during the past fortnight have considerably reduced earlier estimates of damages caused by the drought, which may turn out after all to have been no more serious than the similar misfortune of 1934. Hot weather and higher prices for farm products have temporarily stimulated electrical appliance sales and should help the margarine, cottonseed oil and soap industries; while total farm income for the country as a whole will probably be boosted through higher prices realized by farmers who still have crops to sell. Farm implement makers got off to such a good start during the first six months that even the moderate falling off in business anticipated for the second half should still leave earnings for the year well above 1935. The total vegetable pack is expected to fall 20% short of 1935; though Pacific Coast fruit packers have escaped damage. The wool clip should about equal that of 1935.

The Trend of Major Industries

STEEL—It begins to look as if there may not be any recession worth noting in the steel industry this summer. Normally the seasonal low is touched around the middle of July. This year, after a slight dip of about two points, in homage to precedent, the steel ingot rate has again advanced to above 70% of theoretical capacity, which is close to the year's peak. Even the small dip just mentioned appears to have been occasioned more by the heat wave, which hampered operations, than by any considerable falling off in orders. At this season of the year there is naturally a slow recession in demand from farm implement makers; but a heavy backlog of orders for heavy and miscellaneous steel is more than compensating for this. Some sheet mills are booked solidly for another month. Machine tool sales are running at close to the best level in history; steel for railroad equipment is in slowly rising demand, and a small amount of business is already coming in from producers of next year's motor car models. Tin plate mill activity is being sustained at close to capacity by the demand for beer cans which is much heavier than a year ago. In some lines difficulty is being experienced in making prompt delivery, owing to the depreciated condition of equipment mentioned in our last issue.

METALS — The price advance to 9¾ cents in refined copper since our last issue was preceded by a sharp rise to 9½ cents in the price of export copper, between which and the domestic market there ordinarily exists a spread of about ¼ cent. Rumors that the price might be advanced this month caused such heavy purchases prior to the announcement that sales for July will probably surpass June by at least 60%. Logically this should be followed by a temporary lull but, if world production can be held within bounds, other price advances should follow later. For fifty years prior to 1929 copper averaged 15 cents, and the lowest price prior to 1931 was 9 cents. During the subsequent depression, however, a new all time low of 4.4 cents was touched. In spite of its comparatively favorable statistical position, threats of foreign importations have caused a 10-point reduction in the price of domestic zinc and a few weeks' suspension of mining operations in the Joplin district. World production is running about 11% ahead of a year ago. Lead shipments are about 40% heavier than last year. The recent sharp rise in tin prices is attributed to speculative buying prompted by belief that actual consumption is running considerably ahead of production.

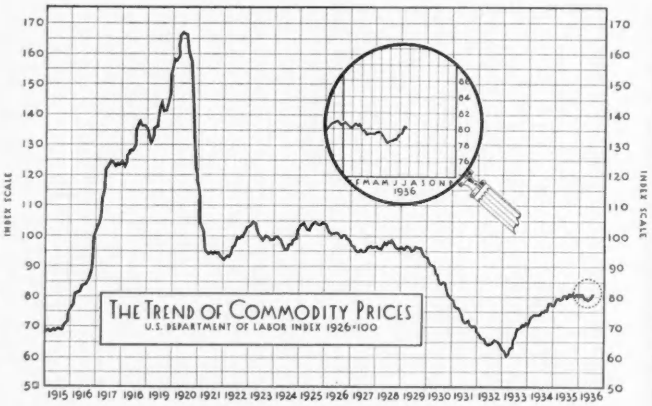
PETROLEUM—Governor Leche has just signed Louisiana's oil conservation act which, if enforced, should minimize the potential menace of the Rodessa field in that state. As the country's production of crude and stocks of motor fuel are still decreasing, the outlook is for a continuation during the third quarter of the industry's present fairly satisfactory profits.

RAILROADS—The first seven lines to report for June show a 51.3% increase in net operating revenues over a year ago. The I. C. C. reports that gross passenger revenues in June of the eastern carriers, whose fares were drastically cut on June 1, were 4.9% ahead of June, 1935. However, the increase in freight revenues was 13.1%, while passenger receipts in other parts of the country rose nearly 13%; so that net income from passenger traffic on eastern roads would obviously have been considerably larger had it not been for the fare reduction, especially in view of added expenses entailed by transporting the resulting heavier travel.

LIQUOR—Closing of National Distillers' plants for the summer should ameliorate, but not wholly correct, the threat of overproduction in the industry.

Conclusion

Since the recent spurt in business activity was caused by certain artificial stimulants which have about spent their force, a slightly greater than normal seasonal recession may be looked for during the next few weeks. Prices for food and commodities at wholesale are advancing in response to drought damages; but the catastrophe is now believed to be less severe than at first feared, and our Raw Material Price index has receded by a small fraction. While bonds in all domestic divisions of our Bond Price index have receded a little during the past fortnight, no other evidence of hardening in interest rates has thus far resulted from the Federal Reserve Board's 50% increase in reserve requirements but a further test will be seen in coming weeks.

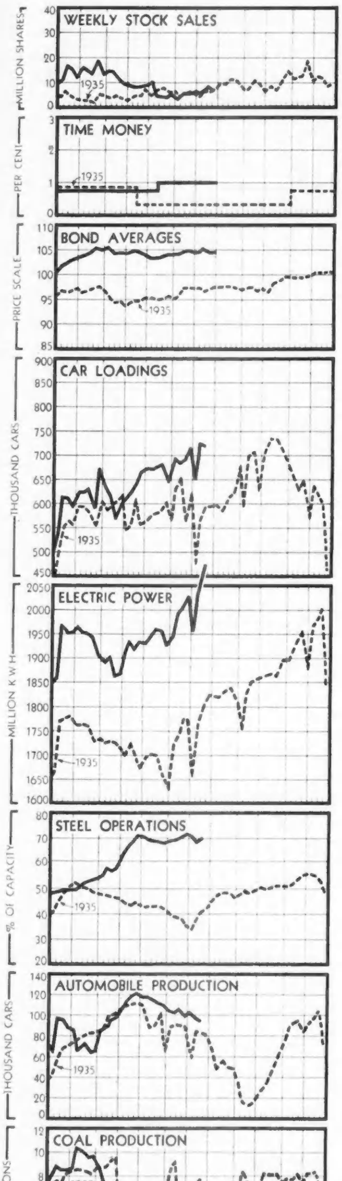


Changes in Major Commodity Price Group for the Fortnight Ended July 18, 1936

Farm Products	up	0.6	Metals	up	0.5
Foods	up	0.5	Building materials	up	0.4
Hides and leather	down	0.4	Chemicals	up	0.7
Textiles	up	0.6	Housefurnishings	down	0.1
Fuel and lighting	up	0.5	Miscellaneous	up	1.1

The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

1935 Indexes High	1935 Indexes Low	1935 Indexes Close	Number of Issues	(1925 Close—100)	1936 Indexes High	1936 Indexes Low	July 11	July 18	July 25
78.6	43.0	78.4	295	COMBINED AVERAGE	93.9	78.4	86.1	88.2	90.0
119.5	64.1	113.4	5	Agricultural Implements	186.9	113.4	164.5	161.3	168.7
41.9	17.8	41.6	6	Amusements	50.8	39.9	43.6	43.6	43.4
116.9	44.6	116.9	14	Automobile Accessories	142.2	116.8	121.6	127.0	130.0
17.7	8.8	17.7	13	Automobiles	24.2	17.7	20.8	20.9	21.7
108.2	41.3	108.2	7	Aviation (1927 Cl.—100)	141.0	104.3	122.0	130.0	130.3
14.7	7.9	14.7	3	Baking (1926 Cl.—100)	17.6	12.6	13.1	13.9	16.1
325.0	184.9	318.6	2	Bot. & Cks. ('32 Cl.–100)	406.2	318.6	405.2H	403.0	398.3
209.9	113.7	209.9	3	Business Machines	251.0	202.8	208.5	226.5	226.3
316.6	226.1	287.4	2	Cans	287.5	250.9	273.7	277.8	272.5
202.7	144.6	195.6	8	Chemicals	224.1	187.5	198.5	198.3	199.9
42.8	22.6	42.8	10	Construction	62.9	42.8	55.2	57.1	58.8
88.6	35.7	87.9	6	Copper & Brass	123.6	87.9	113.7	119.4	123.1
39.3	27.5	39.3	2	Dairy Products	47.6	39.3	47.6h	47.3	47.1
26.6	16.0	23.5	9	Department Stores	29.3	23.3	27.7	28.2	29.3H
87.6	56.1	85.8	7	Drugs & Toilet Articles	98.9	72.8	73.1	74.3	81.1
270.0	211.2	231.8	2	Finance Companies	364.8	227.2	342.5	353.7	364.8H
66.2	51.8	62.0	7	Food Brands	70.1	61.7	63.1	64.2	62.7
56.4	46.2	47.1	4	Food Stores	50.3	41.5	41.5x	42.6	43.2
65.7	32.1	65.7	3	Furniture & Floor Cover	79.6	65.7	74.6	76.3	79.6H
1209.7	990.2	1116.0	3	Gold Mining	1296.9	1116.0	1183.0	1174.2	1189.7
46.8	35.3	46.8	5	Household Equipment	54.4	46.5	50.0	51.0	49.8
38.7	17.0	38.3	5	Investment Trusts	45.3	36.6	42.2	43.7	43.8
359.0	223.6	323.8	2	Liquor (1932 Cl.—100)	333.8	265.2	271.3	268.1	270.3
139.0	65.1	139.0	9	Machinery	160.8	134.7	144.1	150.6	152.7
67.3	36.0	65.9	2	Mail Order	79.3	61.3	74.7	77.3	79.3H
63.0	34.5	62.4	4	Meat Packing	83.9	59.4	66.2	63.2	61.1
183.6	109.4	169.5	10	Metal Mining & Smelting	189.4	159.5	162.8	166.3	170.9
97.2	51.3	97.2	24	Petroleum	122.3	79.2	110.1	113.3	113.6
67.2	23.0	67.2	18	Public Utilities	91.2	67.2	88.8	88.3	91.2h
33.0	15.9	31.5	3	Radio (1927—100)	35.4	26.7	29.0	28.9	28.8
55.7	29.3	55.7	8	Railroad Equipment	73.8	52.5	56.6	61.4	63.1
28.8	16.5	27.3	24	Railroads	37.6	27.3	31.3	33.2	33.8
16.8	5.2	16.1	3	Realty	22.9	13.4	15.0	15.2	15.4
76.4	28.5	76.4	3	Shipbuilding	87.6	62.7	74.6	78.6	75.8
88.1	37.6	88.1	11	Steel & Iron	110.7	85.2	91.0	95.1	99.8
30.4	21.1	30.4	5	Sugar	41.3	29.8	36.5	37.0	37.8
153.6	122.5	153.6	2	Sulphur	175.6	142.8	144.0	142.8x	151.8
78.3	34.2	77.5	3	Telephone & Telegraph	97.4	76.6	88.1	87.4	85.8
73.5	34.7	70.5	8	Textiles	81.4	62.0	65.1	64.3	67.9
10.6	6.0	10.6	4	Tires & Rubber	15.9	10.6	14.1	14.2	14.6
101.8	77.2	96.5	4	Tobacco	100.2	87.2	95.9	96.3	97.1
85.4	51.0	72.1	4	Traction	76.2	61.0	64.0	65.7	68.7
282.8	219.7	259.5	4	Variety Stores	272.4	232.5	264.4	272.4h	271.9

H—New HIGH since 1931. h—New HIGH this year. x—New LOW this year.

An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.

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INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

Is your attitude towards International Telephone & Telegraph optimistic? Do you consider the unsettlement abroad the main reason for recent weakness. I have 150 shares averaging 7¾ and I would like to hold if this stock may soon again approach 1936 highs.—L. P., Newark, N. J.

International Tel. & Tel. Corp. continues hampered by political uncertainties and exchange restrictions existing in a number of the countries in which subsidiaries operate, but as world economic recovery is extended, these influences should become less pronounced. Insofar as the longer term outlook for its communication interests is concerned, this is regarded as offering a tremendous field for growth, especially in South America, where great potentialities for the telephone have as yet hardly been tapped. Also, wider use of the telephone by the Spanish, Cuban and Puerto Rican populations should be witnessed as economic conditions in these countries attain more normal levels. The System as a whole has shown an increase in the number of telephones in operation by its subsidiaries during the depression years, despite net losses in Cuba where conditions recently have improved. Total telephones connected in 1930 amounted to 740,783, while by the end of 1935 the total stood at 910,435. Progress has also been made in the cable, telegraph and wireless divisions of the System and it is now possible for nearly all telephone subscribers of controlled companies to connect with practically any part of the civilized world. The concern's electrical equipment manufacturing interests are extensive and in 1935 accounted for the bulk of the improvement registered by the company. In every year except 1932, when approximately two-thirds of its fixed charges was earned, the company has been able to cover fixed interest requirements by a fair margin, the coverage last year having been 1.38 times. One uncertainty is, of course, the $37,660,000 issue of debenture bonds which mature in 1939 and the $27,260,000 in notes payable to banks. The company has planned to issue $35,000,000 of convertible debentures to retire its bank loans and a portion of outstanding debentures, but this offering has been held up awaiting a better market. In the meantime, bank loans have been extended at a lower rate of interest and little difficulty should be experienced from this source. Another uncertainty in the situation is the possibility of devaluation by certain European countries which might adversely affect dollar earnings of subsidiaries. It may be said, therefore, that the situation is one not without risk, although it is our feeling that longer term potentialities more than offset present adverse factors and dictate further retention of speculative commitments.

GENERAL RAILWAY SIGNAL CO.

Despite the fact that General Railway Signal reported satisfactory business during recent months, the stock continues to sell around the low for the year. As an investor in this company I would like to hear from you as to whether an early upturn can be predicted.—S. T. L., Albany, N. Y.

As this is written, the latest report available on General Railway Signal Co. is that for the initial quarter of the current year, when a net loss of $171,683 contrasted with a profit of $96,371 in the first quarter of 1935. Although the company started 1936 with unfilled orders well below those a year earlier, due mainly to completion of certain large contracts, the company since is understood to have increased bookings and it is anticipated that second quarter results will be considerably better than in the initial quarter of the year. The company obtained a contract for signalling devices for the New York Central's new trackage and terminal facilities at Syracuse and the current improvement being enjoyed by the carriers should stimulate the placement of additional orders with the company. In this connection, it is interesting to note that in the domestic market alone approximately 45% of signalling devices now in use are of the manual type. With the trend toward greater efficiency and the need to reduce operating costs, carriers will unquestionably

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New York Stock Exchange

Rails

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 7/22/36	Div'd $ Per Share
A								
Atchison	74¾	45¼	60	35¾	86⅝	59	83½	‡2
Atlantic Coast Line	54¼	24½	37¼	19½	35¾	21⅝	32⅛	..
B								
Baltimore & Ohio	34½	12¾	18	7½	24¼	15⅞	20½	..
Bangor & Aroostook	46⅛	35½	49½	36⅛	49½	41⅞	42½	2.50
Brooklyn-Manhattan Transit	44⅞	28¼	46¾	36½	50½	40¼	49⅜	3
C								
Canadian Pacific	18¼	10⅞	13¾	8⅝	16	10⅞	12⅞	..
Chesapeake & Ohio	48⅝	39½	53¼	37⅛	69⅜	51	66⅜	2.80
C. M. & St. Paul & Pacific	8½	2	3	¼	2⅞	1½	1⅝	..
Chicago & Northwestern	15	3½	5⅝	1⅜	4⅞	2½	2⅞	..
Chicago, Rock Is. & Pacific	6¼	1⅜	2⅝	¾	3	1½	2⅛	..
D								
Delaware & Hudson	73½	35	43½	23½	52	36¾	44¾	..
Delaware, Lack. & West.	33¾	14	19⅛	11	23⅛	14⅞	18⅝	..
E								
Erie R. R.	24⅞	9⅜	14	7⅛	17⅝	11	14	..
G								
Great Northern Pfd	32½	12¼	35⅛	9⅝	44	32¼	39½	..
H								
Hudson & Manhattan	12⅛	4	5½	2¾	5⅞	3⅛	3¼	..
I								
Illinois Central	38⅞	13⅝	22¼	9½	28⅞	18⅝	23¼	..
Interborough Rapid Transit	17½	5¼	23⅝	8¾	18⅞	11½	13¼	..
K								
Kansas City Southern	19¾	6⅝	14½	3¾	26	13	21¼	..
L								
Lehigh Valley	21¼	9½	11½	5	14⅜	8½	13	..
Louisville & Nashville	62½	37¾	64¾	34	93	57½	92	‡4.50
M								
Mo., Kansas & Texas	14⅞	4⅜	6⅜	2½	9⅝	5½	9	..
N								
New York Central	45¼	18⅜	29¾	12¼	42¼	27¾	39½	..
N. Y., Chic. & St. Louis	26⅞	9	19	6	36¾	17¾	34¼	..
N. Y., N. H. & Hartford	24⅛	6	8½	2⅝	5⅝	3	3⅝	..
N. Y., Ontario & Western	11⅝	4½	6½	2⅝	7½	4	4½	..
Norfolk & Western	187	161	218	158	300	210	274¾	*8
Northern Pacific	36¼	14½	25¼	13⅛	36¾	23⅞	27½	..
P								
Pennsylvania	39⅛	20⅛	32½	17¼	39	28¼	37⅛	‡1
Pittsburgh & W. Va	27	10	25	6⅞	41¼	21	34	..
R								
Reading	56⅜	35⅛	43⅛	29⅞	48⅜	35½	41¼	2
S								
St. Louis-San Fran	4⅝	1⅛	2	¾	3⅝	1½	2½	..
Southern Pacific	33¾	14⅞	25½	12¾	39⅜	23½	38¾	..
Southern Railway	36½	11½	16½	5½	20⅝	12¾	18	..
U								
Union Pacific	133⅞	90	111½	82½	138¼	108½	137	6
W								
Western Maryland	17¼	7⅛	10⅛	5½	12⅛	8⅛	9⅜	..
Western Pacific	8½	2⅝	3⅜	1⅛	4	2	2	..

Industrials and Miscellaneous

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 7/22/36	Div'd $ Per Share
A								
Adams-Millis	34⅞	16	37¼	38	35¾	17⅞	21	‡.75
Air Reduction	113	91¾	173	104¾	81¾	58	80½	*1
Alaska Juneau	23⅞	16⅝	20⅛	13¼	17⅜	13	13⅜	*.60
Allied Chemical & Dye	160¾	115⅛	173	125	212¾	157	210½	6
Allis Chalmers Mfg	23⅜	10⅜	33⅞	12	50½	35⅜	47½	1
Amerada	55⅝	39	80	48½	125½	75	108½	2
Amer. Agric. Chemical (Del.)	48	25¼	57¾	41½	63¼	49	55	3
American Bank Note	25¼	11½	47¾	13½	55½	37	40¾	1
Amer. Brake Shoe & Fdy	38	19½	42½	21	50⅞	40	50¼	1.60
American Can	114¾	90¼	149⅝	110	137½	115¾	135	*4
Amer. Car & Fdy	33⅞	12	33⅞	10	41	30	36⅝	..
American Chicle	70⅝	46¼	96	66	97¾	87⅝	96⅝	4
American & Foreign Power	13¾	3⅞	9¼	2	9¾	6½	7¾	..
Amer. Power & Light	12¼	3	9⅝	1½	14¼	7½	13⅝	..
Amer. Radiator & S. S	17⅝	10	25⅛	10½	27⅜	18¾	21⅝	..
Amer. Rolling Mill	28¼	13½	32⅜	15¾	34	23¾	26⅞	1.20
Amer. Smelting & Refining	51¼	30¼	64⅝	31⅝	91½	56¾	87¼	2
Amer. Steel Foundries	26½	10⅛	25¼	12	33⅜	20½	31½	..
Amer. Sugar Refining	72	46	70½	50⅛	61⅛	48¼	55½	2
Amer. Tel. & Tel	125¼	100⅛	160½	98⅞	178	149½	170½	9
Amer. Tob. B	89	67	107	74¾	104	88½	101¾	5
Amer. Water Works & Elec	27⅝	12⅝	22¾	7⅛	26	19⅛	25½	..
Amer. Woolen Pfd	83¾	36	68¾	35½	70¾	54¾	62½	2
Anaconda Copper Mining	17¾	10	30	8	40⅛	28	39	†50
Armour Co. of Ill.	6¾	3½	6⅛	3¼	7⅜	4⅝	4¾	..
Atlantic Refining	35¼	21½	28	20½	35⅛	26⅝	29⅝	1
Auburn Auto	57⅜	16½	45½	15	54¼	26⅝	36⅜	..
Aviation Corp. Del	10¾	3¾	5¼	2¾	7¾	4⅝	5¾	..
B								
Baldwin Loco. Works	16	4½	6⅝	1½	6⅞	2½	3⅝	..
Bayuk Cigar	45¾	23	66¾	37½	19⅝	16¾	18	.75
Beatrice Creamery	19¾	10¼	20⅛	14	26	18	24	1
Beech-Nut Packing	76⅝	58	95	72	96	85	93½	*3
Bendix Aviation	23⅞	9¾	24½	11⅞	31¾	21⅝	28½	1
Bethlehem Steel	49½	24⅛	52	21⅝	63¾	45¾	53¾	..
Bohn Aluminum	68¾	44½	59⅞	39⅝	63⅛	44	47	3

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 7/22/36	Div'd $ Per Share
B								
Borden Company	28¼	19⅞	27¾	21	31⅜	25⅝	31	1.60
Borg Warner	31⅜	16⅛	70½	28¼	83½	64	80¾	3
Briggs Mfg	28⅜	12	55⅜	24½	64⅞	43¼	53	*2
Bristol-Meyers	37½	26	42	30⅜	49	41	49	*2
Burroughs Adding Machine	19⅜	10½	28	13¼	33¼	25	29⅛	*.60
Byers & Co. (A. M.)	32¾	13¾	20⅝	11⅜	25¼	16½	20⅛	..
C								
Canada Dry Ginger Ale	29½	12½	17⅝	8⅛	16½	10⅜	14½	..
Case, J. L	86¾	35	111¼	45¾	186	92½	162⅞	..
Caterpillar Tractor	38¾	23	60	36½	79	54¾	75½	2
Celanese Corp	44⅞	17⅛	35⅜	19½	32¼	21¾	26½	‡.50
Cerro de Pasco Copper	44½	30¼	65¾	38⅝	58	47¾	54⅞	4
Chesapeake Corp	48⅞	34	61¼	36	85¼	59	81	3
Chrysler Corp	60⅜	29¼	93⅞	31	120½	85½	119⅛	6
Coca-Cola Co	161½	95¼	93	72½	113	84	112	2
Colgate-Palmolive-Peet	18⅛	9⅜	21	15⅛	20½	13	14	.50
Columbian Carbon	77¼	58	101¼	67	134	94	129⅛	*4
Colum. Gas & Elec	19¼	6⅝	15¾	3⅜	21⅝	14	21	‡.20
Commercial Credit	40¼	18⅝	58	39½	72⅝	44	71⅝	3
Comm. Inv. Trust	61	35¾	72	56¼	82¾	55	80½	*3.60
Commercial Solvents	36¾	15¾	23⅞	16½	24⅝	14¼	15⅛	.60
Congoleum-Nairn	35⅜	22	27	45¾	44½	32⅝	34	1.60
Consolidated Edison of N. Y.	47⅜	18½	34¾	15⅞	42¼	27¼	41½	1
Consol. Oil	14¼	7¼	12¼	6½	15¼	11½	13¼	.60
Container Corp	....	....	23⅛	22	26¼	15¾	20⅛	1
Continental Can	64½	56¾	99¼	62¾	87¼	67½	78¾	3
Continental Insurance	36¼	23⅜	44⅞	28⅞	46	35½	39⅛	*1.20
Continental Oil	22¾	15¾	35	15⅛	38½	28⅛	33¼	1
Corn Products Refining	84½	55½	78⅜	60	82½	68½	72½	3
Crown Cork & Seal	36¼	18¾	48⅞	23½	63¾	43⅝	60	1
Cutler-Hammer	21½	11	47	16	65	43¼	59	*1
D								
Deere & Co	34⅛	10⅛	58¾	22¾	89¼	52	74¾	..
Diamond Match	28½	21	41	26½	40½	33½	34½	*1.50
Distillers Corp. Seagrams	26⅝	8⅞	38½	13⅝	34⅝	18¼	21⅞	..
Dome Mines	46¼	32	44⅞	34⅛	61½	41½	53¾	*2
Douglas Aircraft	28½	14¼	58⅜	17½	75¾	50⅝	68¾	..
Du Pont de Nemours	103⅞	80	146½	86⅝	166¾	133	164	*3.60
E								
Eastman Kodak	116½	79	172¼	110½	176	156	173¾	*5
Electric Auto Lite	31⅜	15	38⅜	19⅜	44⅝	30¾	39¼	1.20
Elec. Power & Light	9⅝	2¼	7½	1⅛	17¾	6⅜	16¾	..
Electric Storage Battery	52	34	58¾	39	55¼	42⅜	43½	*2
Endicott Johnson Corp	63	45	66	52¾	69	54⅞	55	3
F								
Fairbanks, Morse	18¾	7	39½	17	53⅜	34¾	53	..
Firestone Tire & Rubber	25¼	13⅛	25½	13⅛	33⅛	24⅞	29	1.20
First National Stores	69¼	53	58⅞	44⅜	48¾	40	47	2.50
Foster Wheeler	22	8½	30	9⅞	38¾	24⅛	29	..
Freeport Texas	50⅜	21½	30⅝	17¼	35⅝	23½	24¾	1
G								
General Amer. Transpt	43⅝	30	48½	32⅝	63	42¼	52¾	1.75
General Baking	14⅜	6½	13⅜	7⅜	14⅜	10¾	12¼	.60
General Electric	25¼	16⅞	40⅞	20½	42⅞	34½	42	1
General Foods	36⅞	28	37½	30	43⅛	33⅜	40⅝	1.80
General Mills	64½	51	72½	59⅞	70½	59¾	64¼	3
General Motors	42	24⅝	59⅜	26⅝	71	53⅞	70	*2
General Railway Signal	45¾	23½	41¼	15⅝	50	32½	38	1
General Refractories	23⅜	10⅛	33½	16¾	44½	33¼	37¼	1
Gillette Safety Razor	14⅞	8½	19½	12	18⅝	13⅝	15⅛	1
Glidden	28⅜	15⅝	49½	23⅜	55¼	39¾	46¼	2
Gold Dust	23	16	22	14⅜	21⅜	12¾	13⅜	.60
Goodrich Co. (B. F.)	18	8	14½	7½	23⅞	13⅝	20⅞	..
Goodyear Tire & Rubber	41⅜	18½	26⅞	15¾	31⅞	21⅝	24¼	..
Great Western Sugar	35¼	25	34⅞	26⅝	39	31	35¾	2.40
H								
Hershey Chocolate	73¾	48½	81¾	73¼	80	70	70	3
Hudson Motor Car	24½	6⅛	17½	6¼	19⅜	13½	17	..
Hupp Motor Car	7¼	1⅞	3⅞	¾	3¼	1	2	..
I								
Industrial Rayon	32¼	19⅜	36⅜	23½	34⅝	25⅝	30½	1.68
Ingersoll-Rand	73¾	49½	121	60½	147	106	134	*2
Inter. Business Machines	164	131	190½	149¼	185¼	160	167¼	*6
Inter. Cement	37¾	18⅜	36⅞	22⅞	52½	35½	52¼	1.50
Inter. Harvester	46⅞	23¼	65⅝	34⅛	90½	56⅝	82⅝	1.20
Inter. Nickel	29¼	21	47¼	22¼	54¼	43¼	50¾	1.20
Inter. Tel. & Tel	17¾	7½	14	5⅝	19¼	12⅛	13½	..
J								
Jewel Tea Co	57½	33	67	49	83⅜	58½	83⅜	*4
Johns-Manville	65⅜	33	99½	38½	129	88	111¼	2
K								
Kelvinator	21¼	11⅝	18¼	10¼	25⅝	14¾	20	*.50
Kennecott Copper	23⅛	16	30⅜	13¾	44¾	28¼	43¾	1.20
Kroger Grocery & Baking	33⅝	23¼	32⅛	22¼	28	19⅜	21¼	1.60
L								
Lambert	31¾	22¼	28½	21¾	26¾	19⅛	20	2
Lehman Corp	78	68¼	95¾	67⅛	108	89	108	*3
Libbey-Owens-Ford	43⅞	22½	49¼	21½	63⅞	47¼	63	2
Liggett & Myers Tob. B	111¼	74½	120	94¼	116½	97¾	110	*4
Loew's	37	20⅜	55⅛	31¼	54⅞	43	51¾	*2
Loose-Wiles Biscuit	44¾	33¼	41⅝	33	45	40½	43	2
Lorillard	22½	15¾	26½	18½	25½	21⅛	24½	1.20
M								
Mack Truck	41¾	22	30⅝	18⅝	37	27⅜	34	1
Macy (R. H.)	62⅛	35¼	57½	30½	49⅜	40⅛	46¾	2
Mathieson Alkali	40¾	23½	33⅞	23¾	36½	27½	32	1.50
May Dept. Stores	45¾	30	57¾	35⅞	56⅜	43¼	54⅞	2

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1934		1935		1936		Last Sale	Div'd $ Per
M	High	Low	High	Low	High	Low	7/22/36	Share
McIntyre, Porcupine	50½	30½	45⅝	33¾	49⅜	39⅝	41¾	2
McKeesport Tin Plate	95⅛	79	131	90½	118½	96	98⅜	*4
Mesta Machine	34¾	20⅛	42⅝	24⅛	51¾	40⅝	51⅜	3
Monsanto Chemical	96½	39	94¾	55	103	79	98	*1
Mont. Ward & Co	35⅝	20	40⅞	21¾	45⅞	35¾	44½	.80
N								
Nash Motor	32¼	12⅝	19½	11	21⅞	15⅝	16¾	1
National Biscuit	49½	25⅞	36⅜	22¼	38¾	31⅛	33	1.60
National Cash Register	23⅝	12	23½	13½	30	21½	25½	.50
National Dairy Prod	18¾	13	22⅛	12⅞	28¼	21	27¾	1.20
National Distillers	31⅝	16	34½	23⅛	33⅜	25⅝	26½	2
National Lead New	....	....	....	....	31⅜	26⅜	28⅜	.50
National Power & Light	15½	6⅝	14¾	4⅞	14⅞	9⅞	12⅞	.60
National Steel	58¼	34½	83¾	40⅜	75	57¼	65¾	1.50
N. Y. Air Brake	28¾	11½	36½	18½	46¼	32½	44¼	..
North American	25¼	10¼	28	9	34¾	23⅛	33⅞	1
O								
Otis Elevator	19⅜	12½	26⅝	11⅛	32¾	24¼	27⅜	.60
Owens Ill. Glass	94	60	129	80	164	128	153½	5
P								
Pacific Gas & Electric	23½	12⅜	31⅝	13⅛	41	30¾	40⅜	1.50
Pacific Lighting	37	20¾	56	19	58½	47⅝	57½	2.40
Packard Motor Car	6⅝	2¾	7½	3½	13	6⅞	11⅜	‡.25
Paramount Pictures	....	....	12	8	12	7⅝	8¼	..
Penney (J. C.)	74¼	51½	84¾	57¼	89¾	69	89¾	*3
Penick & Ford	67	44⅝	81	64½	73	64½	68½	3
Phelps Dodge	18⅞	13¼	28⅛	12¾	40¼	25⅝	37⅞	‡.50
Phillips Petroleum	20¾	13⅜	40	13¾	49⅜	38⅛	44¾	*1
Pillsbury Flour Mills	34¾	18½	38	31	37¼	30½	31	1.60
Procter & Gamble	44⅜	33⅛	53¾	42⅜	49	40¼	47½	*1.50
Public Service of N. J	45	25	46¾	20⅜	49¼	39	48¾	2.40
Pullman	59⅜	35¼	52⅞	29½	51¾	36⅞	51½	1.50
R								
Radio Corp. of America	9⅛	4½	13⅜	4	14¼	9¾	12	..
Radio-Keith-Orpheum	4¼	1½	6	1¼	9¼	5	5¾	..
Raybestos-Manhattan	23	14½	30¼	16½	38¼	28⅞	33½	1.50
Remington Rand	13⅜	6	20¾	7	23¾	18⅛	20⅛	*.60
Republic Steel	25¾	10½	20¾	9	26¾	16⅞	20¾	..
Reynolds (R. J.) Tob. Cl. B	53¾	39¾	67	55¼	58⅝	50	55¾	3
S								
Safeway Stores	57	38¼	46	31⅝	35½	29¾	31	2
Schenley Distillers	38⅞	17⅛	56¼	22	52	37¾	40⅜	‡.75
Sears, Roebuck	51¼	31	69⅞	31	80⅞	59⅝	79¾	2
Servel	9	4⅜	17	7⅝	24¾	15⅝	24	.60
Shattuck (F. G.)	13⅞	6¾	12⅞	7¼	16¾	11⅛	15½	.50
Shell Union Oil	11½	6	16½	5½	19½	14¾	19½	..
Socony-Vacuum Corp	19⅞	12½	15¾	10⅝	17	12½	14¾	.40
So. Cal. Edison	22⅛	10⅛	27	10⅝	32	25	31¾	1.50
Spiegel May Stern	76¾	64	84	43⅞	77¾	63	76½	3
Standard Brands	25¼	17¼	19⅛	12½	18	14⅜	16	.80
Standard Oil of Calif	42⅞	26½	41⅛	27¾	47⅝	35⅜	39¼	*1
Standard Oil of Ind	32¾	23¼	33⅜	23	40⅛	32¾	36¼	*1
Standard Oil of N. J	50⅛	39¼	52⅜	35¾	70	51⅛	64	*1
Sterling Products	66½	47¼	68	58¾	74	65	73½	3.80
Stewart-Warner	10⅝	4½	18⅞	6⅝	24½	16½	19⅝	.50
Stone & Webster	13¼	3⅞	15⅛	2½	21¼	14⅝	19⅝	..
T								
Texas Corp	29⅜	19⅝	30¼	16½	40	28⅞	40	1
Texas Gulf Sulphur	43¼	30	36¾	28¾	38¾	33	35	2
Tide Water Assoc. Oil	14⅜	8	15⅞	7⅝	19⅛	14¾	17⅛	.60
Timken Roller Bearing	41	24	72½	28⅜	72½	56	64¾	*2
Tri-Continental	6¾	3	8¼	1⅞	12	7⅛	9⅝	..
Twentieth Century-Fox	....	....	24⅞	13	32¾	22½	26⅝	..
U								
Underwood-Elliott-Fisher	58⅞	36	87¼	53¾	99	74⅝	83¼	3
Union Carbide & Carbon	50⅞	35⅞	75¾	44	96⅜	71⅝	96¼	2.40
Union Oil of Cal	20½	11½	24	14¾	28½	20⅞	22⅞	1
United Aircraft	15¼	8⅛	30⅜	9⅞	32⅜	20⅝	27½	..
United Carbon	50⅜	35	78	46	83½	68	82½	2.40
United Corp	8⅞	2⅛	7¾	1½	9¼	5⅜	8⅛	..
United Corp. Pfd	37⅞	21¼	45¾	20¾	48¼	40¼	47⅜	3
United Fruit	77	59	92¾	60½	82½	66½	82¼	2
United Gas Imp	20⅛	11½	18½	9¼	19½	14⅜	17¼	1
U. S. Gypsum	51¼	34¼	87	40½	110½	80½	99½	2
U. S. Industrial Alcohol	64¾	32	50⅝	35⅛	59	33½	33⅞	1
U. S. Pipe & Fdy	33	15½	22⅝	14¾	48	21½	47⅛	1.50
U. S. Rubber	24	11	17¼	9⅛	35	16⅜	30	..
U. S. Smelting, Ref. & Mining	141	96⅝	124½	91¾	96½	78	80½	‡8
U. S. Steel	59⅞	29⅜	50⅝	27½	72⅜	46⅜	62½	..
U. S. Steel Pfd	99½	67¼	119¼	73⅝	132¾	115½	127½	2
V								
Vanadium	31¾	14	21¾	11¼	27¼	16¼	20¼	..
W								
Warner Brothers Pictures	8¼	2¾	10¾	2¼	14⅝	9¼	11	..
Western Union Tel	66⅞	29½	77¼	20⅝	95	72½	88⅜	‡2
Westinghouse Air Brake	36	15⅞	35¾	18	48⅛	34¾	41⅜	1
Westinghouse Elec. & Mfg	47¼	27⅞	98¾	32⅝	135½	94½	134¾	4
Woolworth	55¼	41¼	65¼	51	56⅜	44¾	52¾	2.40
Worthington Pump & Mach	31⅞	13½	25¼	11¾	35½	23⅛	29½	..

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year.

Answers to Inquiries

(Continued from page 488)

come into the market on a large scale for the labor-saving devices manufactured by the company just as soon as their earnings permit. While earnings of the company fell during the depression years to a small fraction of their former level, dividends have been continued on the common stock uninterrupted, although well below the $5 rate maintained for the five years preceding 1932. Capitalization of the organization is conservative, the 320,700 shares of common stock being preceded by only 23,038 shares of 6% preferred. That high per share earning power is possible under conditions more nearly approaching normal is attested by the fact that as late as 1930 the equivalent of $7.07 a common share was recorded. The financial status, moreover, has been well maintained and at the close of 1935 current assets of $4,816,371, including cash of $1,228,899, compared with current indebtedness of $459,754. While the present return on the stock of $1 annually yields only about 2.5%, appreciation possibilities in a period of rising earnings are considerable in view of the relatively small share capitalization. We therefore feel that it would be unwise for you to withdraw from this situation at the present time.

MID-CONTINENT PETROLEUM CORP.

I have 200 shares of Mid-Continent Petroleum bought at 20⅛. With the company showing considerable earnings progress on one hand, and with threats of over-production again rising, I will appreciate your views on the possibilities ahead.—(Mrs.) S. S. W., Brooklyn, N. Y.

Although one of the smaller units in the industry, Mid-Continent Petroleum Corp. has so diversified its activities during recent years that it now is represented in all divisions of the trade. Crude oil reserves are large, but proration measures recently have forced the organization to purchase a sizable proportion of its refinery requirements from others. Thus, in 1935, the company's refinery processed 9,536,129 barrels of crude, while production from its wells totaled only 4,341,450 barrels. Had the wells been allowed to flow at capacity, the company would have enjoyed the largest production in its history. A number of new properties in Kansas, Texas and Oklahoma were developed during 1935, and at the close of the year the company had an interest in some 35,703 acres of producing properties. Sales by all divisions last year registered a pronounced improvement and enabled the company to report $1.31 earned on its capital stock, against 45 cents a share in 1934. This improvement continued into the current year, as is reflected in the earnings statement for the initial quarter, when the equivalent of 51 cents a share contrasted with $273,057 loss in the like interval of 1935. Indications are that the second quarter of this year was even more profitable in view of seasonal influences affecting consumption and the distinct uptrend in evidence during the period throughout the entire industry. Currently, increased consumption is tending to reduce crude oil stocks and if proration continues effective, the statistical position of the industry should be further improved before the end of the summer. Thus, the earnings picture at the present time for Mid-Continent Petroleum is favorable and the year, as a whole, could easily prove to be the most profitable enjoyed by the company in a number of years. From a financial standpoint, the organization has shown considerable progress and at the end of 1935 working capital position was excellent. All in all, the shares seem to hold good appreciation possibilities at this time, and we feel that maintenance of your long position is advisable.

AMERICAN CHAIN CO., INC.

May I have your views on the speculative outlook in American Chain common stock from here on? Do you believe it will soon again resume the upward advance as seen earlier this year?—H. H. N., New York, N. Y.

American Chain Co., Inc., is one of the world's leading chain manufacturers, its products being widely employed in a number of different industries, although the automobile trade is believed to absorb the major portion of output. Prior to 1931, the company enjoyed a long record of profitable operations, but from that year through 1933, sizable losses were incurred. With the subsequent improvement in automobile production and sales, however, the company experienced a marked betterment in its business. Earnings in 1935, after allowing for regular preferred requirements, equalled $4.11 a share on the common, the highest to be recorded since 1929, when the equivalent of $10.12 a share was earned. Not only does the company stand to benefit from the consistent gains being recorded throughout the automobile industry, but improving conditions in the construction trades and industry generally should stimulate demand for its cables, air compressors, machine equipment, etc. Of course, dividend accu-

mulations on the 88,261 shares of 7% preferred stock totaled $21.25 a share as of July 1, 1936, which factor will have to be taken care of before common stockholders will be in line to participate in earnings gains. In this connection, common stockholders recently approved an increase in the authorized common stock and will soon be asked to consider a plan for the clearing of arrears on the preferred. With the elimination of preferred arrears, the way would be left open for dividend consideration on the common stock. During recent months the company is understood to have experienced an excellent volume of business and with improvement being enjoyed in the affairs of its principal customers, earnings prospects are distinctly promising. In our opinion, the common stock is attractively priced in relation to current and prospective earning power and worth while appreciation should accrue over a reasonable period of time.

CONSOLIDATED EDISON CO. OF NEW YORK

I am considering the purchase of Consolidated Edison of New York. I would like to know, though, if there is any legislation pending I should know about. Incidentally, I am advised a dividend increase may be forthcoming and I would like your opinion on this.—S. T. P., Dallas, Tex.

Since 1930, earnings of Consolidated Edison Co. of New York have declined steadily in reflection of higher costs and general depression influences. However, there has recently developed a marked improvement in power sales by the system and it is expected that this increase will soon offset the effects of the rate reduction, amounting to roughly $12,000,000 annually, instituted last fall. The report of the company covering the first quarter of the current year revealed earnings of 88 cents a common share, against 97 cents a share a year earlier, but the second quarter comparison will probably make better reading. Not only is the company enjoying the benefits of expanding consumption, but sizable savings are being effected through refunding of bond issues at interest rates more in keeping with the company's high credit position and present money market conditions. Moreover, the recent signature by Governor Lehman of a bill permitting the merger of public utilities, when 95% or more of the voting stock is owned, is of favorable significance to the subject organization. It is the company's intention to take advantage of this legislation to ultimately merge all of its operating subsidiaries into a single company. The economies made possible by such a move are manifold and much duplication of administration facilities can be eliminated with a consequent saving to the organization. Customers also will benefit, from the standpoint of convenience, at least, in that they will be able to deal directly with one office with respect to both their gas and electricity requirements. The policy of lower rates on increased amounts of current consumed augurs well for wider use of electric appliances and consequently for earnings of the company. Of course, the outlook for the company has been clouded for some time past by the threat of the municipality constructing electric power and light plants with the aid of Federal funds. This question is to come before the United States Supreme Court this Fall. With the simplification of capital structure, however, and the lower rate schedule now in force, it seems unlikely that there will be any widespread public demand for municipally owned and operated plants. Aside from the possibility of competition from municipal plants, we know of no pending legislation likely to prove detrimental to the company. With the present $1 annual dividend rate on the common stock covered by a wide margin and in consideration of the better earnings prospects in line with expanding output, a dividend increase would not be surprising. It is our opinion that present prices for the stock do not fully appraise potential earning power and that purchases made around these levels will prove profitable.

CERRO DE PASCO COPPER CO.

As I am leaving the city and will be out of touch with daily developments, I will appreciate your comment on the advisability of holding for speculation 100 shares of Cerro de Pasco on which I now have 6½ points profit.—M. A., Los Angeles, Cal.

While there are in the long term outlook for Cerro de Pasco uncertainties which could work adversely, there appears little likelihood of developments in the near future, other than constructive. Basing our forecast on the fact that demand for copper exceeds current production, and that the statistical position of the metal at the present time is thoroughly healthy; and considering the fact that silver in the world market appears fairly stabilized at present price levels, there appears every reasonable likelihood of Cerro de Pasco reporting earnings during the current year which would compare favorably with the $3.62 a share registered in the year 1935. Granting continuance of satisfactory earnings, and barring the development of difficulties with the Peruvian Government, where the properties are located, there remains every assurance of continued dividend disbursements at the present rate. The stock is selling on an exceptionally high income basis for the stock of a company of its financial strength. Further considering the fact that these properties constitute one of the most important copper and silver producers in the world, and that its ore is of unusually high quality, the risk inherent in its dependence upon the political uncertainty seems to be over-discounted in the present comparative low quotations for the stock. In other words, it seems quite probable that the importance of the location of these properties under foreign domination is given undue weight as an adverse consideration. With continued earnings, which would otherwise justify substantially higher market prices for the stock, a probability, and with near term developments affecting earning power preponderantly constructive in character, we feel that retention of your holdings awaiting better liquidating opportunities, if advisable at a later date, would be the wisest policy.

ATLAS POWDER CO.

Do you consider Atlas Powder attractive at current levels? I have 150 shares bought at 68, and it seems to me this might be a good time to average down.—A. P. B., Flint, Mich.

In cash position and prospects it is not difficult to justify a constructive attitude toward the shares of Atlas Powder. Notwithstanding the fact that the company is predominantly identified with the heavy industries, its depression record has been exceptional. Omission of dividends on the common stock was deemed advisable in only one year—1933—and 1932 was the only depression year in which operations resulted in a loss. That loss was small. Beginning with 1933 each year has recorded successively higher profits, earnings at the rate of $2.81 a share being recorded in the year 1935. The uptrend is continued in the report for the first quarter of the current year, showing earnings equal to $1.01 a share for that three months period, which compares with only 48 cents a share for the corresponding period in 1935. Financial position is strong with current assets totalling in excess of $9,200,000 compared with total current liabilities under $1,000,000. The current dividend rate seems well assured, and the yield at current quotations is attractive on a stock of this character. The enterprise appears likely to be productive of substantially improved earnings in coming years, since it is steadily broadening its field of activity through the introduction of new chemical products. The most recent announcement along this line was contained in the company's annual report last year. In that year the company introduced to the market

two alcohols manufactured by a process discovered by Atlas. All indications point to a demand for these products in industry, where they are used in the manufacture of paper, textiles, leather and synthetic products. This development marks further growth in the business of its chemical division which has grown to considerable proportions from its basic researches in nitro-cellulose. From this research work a widely known lacquer has developed which meets the demand of manufacturers of automobiles, radios, furniture, refrigerators and other similar lines. This department of the company's activities accounts for 25% of the gross sales. Further progress in the diversification of products, and new markets yet to be developed, should furnish a justifiable basis for the promise of material improvement in earning power in the future and, ultimately, larger earnings and increased dividend disbursements to stockholders. On the basis of these findings we endorse your proposal to average down on the shares.

INGERSOLL RAND CO.

An analysis in your magazine last May prompted me to buy Ingersoll Rand on margin at 112. I now have 17 points profit, and additional funds to invest, and I would appreciate your advice on buying this stock outright for investment and income.—P. E. D., Orlando, Fla.

The rise which has already been recorded by Ingersoll Rand, and of which you have taken advantage on a marginal basis, does not, in our judgment, disqualify the stock at today's price level from consideration as an attractive long term investment. To attempt to measure a fair relative value for Ingersoll Rand stock on the basis of ratio of present market price to current earning power, making a comparison in that respect with the averages, would be a mistake. Earnings in 1935 were equivalent to $3.50 a share, although dividends totaling $5 a share were paid in that year. Even assuming continuance of dividend disbursements at the 1935 rate, the yield at present prices would not offer great inducement. Justification of the present price, therefore, must be offered on the basis of its past record, extending over a period of thirty years, in earning power, dividend disbursements, conservative financial management, its almost impregnable position, its world-wide connections, its present exceptionally strong financial position, and finally, the very definitely discernible prospects for substantial improvement in earning power in the future. These are, undoubtedly, the factors which entitle the stock of this company to sell at a premium over a more normal ratio of earnings to market price. The company manufactures air compressors, oil and gasoline motors, drills and pneumatic equipment. It is an important manufacturer of Diesel engines and produces Diesel-electric locomotives. The company also caters to the air-conditioning and refrigeration field. Building construction, road building, tunneling, mining, quarrying and other forms of heavy construction activities are the fields to which it can look for an outlet for its products, and these are the branches of industry which, having suffered greatest deflation during the depression, are now leading the way back. As pointed out in the article to which you refer in your letter, recovery thus far has only fractionally measured the distance between the depression low in the heavy industries and that degree of activity which could be considered normal. With these facts in the background, we believe that Ingersoll Rand stock may be considered an excellent medium for long term investment holding.

Labor Storm Brewing—in Industry—in Politics

(Continued from page 455)

ers, would die of financial malnutrition.

Politically, and quite aside from 1940 and the possibility of a labor party in 1940, the efforts of Mr. Lewis and his friends have serious implications.

Six months ago, the labor vote could be counted upon as substantially 100 per cent for Mr. Roosevelt. Today 50-50 would be a good guess.

Then the Lewis group formed the Labor Non-Partisan League, usurping a function of the Federation and all but taking the name of its political arm—the Non-Partisan Political Committee. The only difference between it and the Committee for Industrial Organization is that George L. Berry, also a White House favorite, is head of the Non-Partisan League and Lewis the dominating figure in the other.

Previously there had been some, but by no means considerable, opposition to Mr. Roosevelt. The reason for this change is the apparent friendship of the President for Lewis. He had been a frequent guest at the White House. The President, in pushing the Guffey Bill, had done much for him. The President had been very friendly to his close associate Berry. Sidney Hillman of this group has also been favored much by the Administration.

Rightly or wrongly, but certainly through no utterance or declaration of the President or his authorized spokesmen, the impression had gone forth that he is with Lewis and his associate industrial unionists.

William Green, president of the Federation, in months past, learned what friendship with the President may cost in the reaction among union ranks. He was, in fact, compelled by this feeling to publicly announce that his recent endorsement of the President before a Washington audience was an individual and not as President of the Federation. Labor men, as a rule, know many words not commonly used in Sunday schools. In their discussions of Green and the White House there have been many times they have not hesitated to use them.

This was bad enough, but not really serious, until the heads of one powerful craft union discovered that one of the Lewis affiliates had clearly and without any color of right invaded its jurisdiction and issued charters to local unions.

This brought the head of the organization, formerly strong for Mr. Roosevelt back to Washington foaming at the mouth. In a few days another swung away when he found that Lewis sympathizers, had assumed jurisdiction over his trade, and had gone so far as to call a strike that nullified his efforts to get results.

Here again Lewis was blamed, although in all fairness it must be said no proof has yet been shown that he had anything to do with either thing. However, these men were off the Roosevelt reservation for fair, and friends fearing like trouble went with them.

Personally they had, they have, no grievance against the President. But in their judgment he, like poor dog Trey is in bad company in associating with Lewis and his associates, and, like poor Trey, must be punished accordingly.

President Roosevelt knows of this situation in general though probably not in detail. So do his closest political advisors. That is why when the suspension of Lewis and his associates seemed certain, he had long conferences with Lewis and Green in the White House.

That is why every possible pressure was brought by Edward F. McGrady, once the Federation's star lobbyist, and now Assistant Secretary of Labor, who worked night and day in conference with members of the Council to prevent a split in the Federation. It is why Robert Fechner, once a machinists' official and now head of the C. C. C. was called in. It was why the Rev. Francis J. Haas, who has served on many labor boards was busy among his labor friends, trying to save what some call rebels.

It is why the President delayed his departure for Maine waters 24 hours and why his last minutes in Washington were spent in the train shed of Union Station discussion the situation with McGrady.

That is why Daniel J. Tobin, head of

the teamsters and a strict craftsman who handled the labor bureau of the Democratic National Committee in 1932, and who will render the party like service this year, even though he was turned down for Secretary of Labor in favor of Miss Frances Perkins, was busier than the traditional one armed paper hanger affected with the itch during the recent gathering of the clans in Washington trying to line up aides, while his good friend William L. Hutcheson was as busy lining men up to help Landon. As this is written Hutcheson is scheduled to head the Republican labor bureau, a post he held in 1932.

Thus there will be four primary labor committees in the campaign—the Non-Partisan Political Committee of the Federation which will pass on candidates and platforms but probably endorse neither candidate, the Berry-Lewis Committee and the two strictly partisan committees.

Just how big the labor vote is no man can well say. In 1924 with the endorsement of the Federation and the Railroad Brotherhoods, Senator Robert M. La-Follette received about 5,000,000 votes, most of them from his own state of Wisconsin. The labor vote simply is not deliverable en bloc by any body or group. Save in industrial states or congressional districts where the vote may be close, it has, generally only what the lawyers call a nuisance value. The exception is where for some reason or another it is vitally affected.

This year, all elements are interested. They will vote as their interests lie. In some places the support of Mr. Lewis and his associates will be a distinct asset to Mr. Roosevelt. In other places they will be a distinct liability.

They will help materially in Pennsylvania, a mining and a key State. Lewis will be an asset in Ohio, Indiana, West Virginia, Kentucky and in some degree in Tennessee, all mining states. In Illinois, once the greatest coal state in the United States he will be a heavy liability—anything and everything he is for most of the Illinois miners will be against.

The craft unions and particularly the building trades, have strength in practically every city and town in the country. Led by Hutcheson, the giant chief of the carpenters, a majority of the men of these trades will be inclined to vote against Roosevelt as the friend and benefactor of their enemies.

The railroad brotherhood group, not in or of the Federation, numbering about 400,000 are, according to usually well informed men, about evenly divided. Just why this should be so is not clear, for the Roosevelt Administration has done more for railroad men as a group than any President since Wilson who, it will be recalled, drove through the Adamson Act for them in 1915.

As to a labor party, that is not in the wood this year. Anything, as Lewis told his National Press Club audience in almost so many words, may happen in the next five years.

Lewis would, according to close observers, like a labor party if he could boss it. Berry, who sought the Democratic nomination for vice president in 1924 and for a time recently was in a receptive mood as regards the gubernatorial nomination in Tennessee, would like one, but on pretty much the same terms as Lewis. The needle trade leaders, always Socialists, would be for one. Indeed they have set one up in New York to help Roosevelt that's nothing more than the "same old Socialist woman in a new dress."

The craft union group would have to be shown. Most of their leaders have crossed the muddy Missouri many times and would require much showing to cure them of their anti-labor party complex.

This leaves open the question of what can be done with and for the employees in mass industries to whom Mr. Lewis is ostensibly so devoted.

One thing is certain—they cannot be organized to stay organized without hard, intensive work over a long period that on the part of those doing it, must involve privations and persecutions, jails and possibly "warm seats," which some of the Portsmouth, Ohio, steel strikers now face. There must, in other words, be a recrudesence of the crusading spirit that built up the unions in other lines and earlier days including Mr. Lewis' United Mine Workers.

They cannot be efficiently organized by men who must live in the best hotels and ride in Pullmans. Somehow the crusading spirit evaporates on soft beds, in Pullmans and high powered automobiles.

From Lewis down the leaders of the industrial unionists like elaborate hotel suites, Pullmans, and, with few exceptions, nice automobiles, though the rolling stock of their followers is more often than not baby buggies.

Three Dairy Stocks Face Better Outlook

(*Continued from page* 484)

volume of egg sales declined during the year."

Fortunately, neither Beatrice nor the industry as a whole is being asked to contend with such problems this year. Firm prices, which may go even higher as a result of the drought, should eliminate the necessity for inventory write-downs. This, however, is a less important favorable influence than the fact that business generally has improved. Part of the resulting increase in purchasing power has been, and undoubtedly will continue to be, diverted to dairy products. This is particularly true of luxury lines such as ice cream, the consumption of which has been further enlarged by the unprecedented hot weather throughout the country. Ice cream sales of record proportions have been reported—and this, it will be remembered, is the most profitable of all the lines handled by the distributor of dairy products.

Yet, despite the improved near-term prospects enjoyed by the dairy companies, it would be a mistake to look only upon one side of the situation. The dairy companies typify the holding company structure and are therefore not in high esteem with the present Administration. They buy their raw material from a politically-pampered class and, after seeing what another politically-pampered class, the silver producers, have succeeded in obtaining through legislation there is no telling what might occur. A waxing political control over the dairy industry seems more likely than the reverse. Thirdly, the dairy companies are hit harder than the average corporations by such taxes as Social Security. Finally, there is always some danger that the experience of 1935, when prices moved forward so fast that consumption was checked and the people turned to substitutes, will be repeated. Disaster resulting from any of these factors, however, is no immediate threat and, in the meantime, it is expected that the dairy stocks will work higher.

Crop Outlook Points to Better Business

(*Continued from page* 462)

in grains, cotton, tobacco, leaving war scares and armament out of the purview.

With reservation as to further drought damage, business looks to move ahead, doing generously what needs currently to be done to tide over and maintain sufferers from crop damage. Trade reports indicate that the sharp increase in farm machinery bought in 1935, will be topped by further added purchases running to 35 or 40 per cent this year. Farm expenditures for farm machinery normally should show around 400 million dollars each year. The 1935 figure was 336 million dollars out of reduced income of 7 billion, where 10 billion would be normal.

Farm mechanization grows and there is a tremendous backlog of replacement needs due to depression and drought years.

Farmers only need a half a break with Nature to try to do more than

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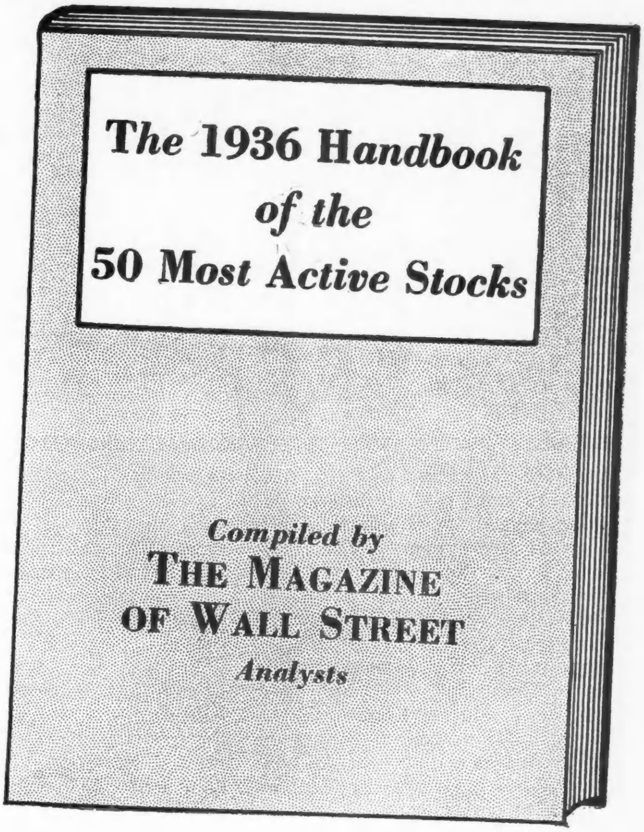

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ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1936 Price Range High	Low	Recent Price
Alum. Co. of Amer.	152	87	117¾
Amer. Cyanamid B (.60)	40¾	29¼	36
Amer. Gas & Elec. (1.40)	46⅜	33¾	45
Amer. Lt. & Tr. (1.20)	25⅛	18⅜	24½
Atlas Corp. (‡.40)	16¼	11¾	13⅜
Bower Rolling Bearing (1)	29¼	20½	23⅞
Butler Bros	10	7⅝	9⅞
Cities Service	7⅜	3	4⅞
Cities Service Pfd	66	41½	64
Colum. G. & E. cv. Pfd. (5)	114	93	107¾
Commonwealth Edison (4)	117	97	114¾
Compo Shoe (.50)	16	11½	14
Consol. Gas Balt. (3.60)	92⅞	84	92⅛
Crane Co	31⅞	24	31⅜
Creole Petroleum (†.20)	34¾	19⅞	24
Doehler Die Casting	35⅜	27¾	34⅛
Driver Harris (1)	39	25	26
Elec. Bond & Share	25½	15¾	24¾
Elec. Bond & Share Pfd. (6)	88½	74¾	86¾
Ex-Cell-O A. & T. (‡.15)	23⅝	14¼	19⅞
Ferro Enamel (1)	40½	28⅜	36
Flintkote A (*1)	45	32⅜	36½
Ford Mot. of Can. "A" (†.50)	28⅜	19	19¾
General Tire	93	68½	74
Glen Alden Coal (1)	18⅛	13¼	14¾
Hall Lamp (.20)	8¾	5⅞	6¾
Gulf Oil of Pa. (1)	98	72	86½
Hudson Bay M. & S. (1)	28⅜	22¾	25⅜
Humble Oil (1)	76½	57	66⅜
Imperial Oil (*.50)	24½	20	20⅞
Iron Fireman (1)	31½	23¾	27½
Jones & Laughlin	44	30	33½
Lake Shore Mines (*2)	60	51	58⅝
Lynch Corp. (2)	55½	34⅝	42
Mueller Brass (.80)	35½	23½	34¼
National Sugar Ref. (2)	30	23	28⅛
Newmont Mining (2)	96¾	74¼	90
Niagara Hudson Pwr	15½	7¾	15⅛
Niles-Bement-Pond	44⅞	28½	38¼
New Jersey Zinc (2)	92⅜	69½	79½
Pan-Amer. Airways (1)	66¾	45¾	57
Pepperel Mfg. (3)	74¾	55	72½
Perfect Circle (2)	41	31½	36¼
Pitts. Pl. Glass (*2)	140	98¼	126¾
Sherwin-Williams (4)	145½	117	138
South Penn Oil (*1½)	40½	32½	39⅜
United Shoe Mach. (5)	90	83	89

* Includes extras. † Paid last year.
‡ Paid this year.

their share. The index of farm prices received to prices paid by farmers, improving slightly, is now around 88, 12 points below parity. Farm machinery manufacturers should get their prices down.

Business is undoubtedly gathering momentum, set to go ahead, take the drought in its stride, ignore the roaring din of political oratory and keep looking forward. Ours is a broad and fertile land. Its progress is not to be checked even by two drought years out of three, nor by misbegotten theories of agricultural regulation.

Business — and agriculture — only need to be let alone.

General Motors

(*Continued from page 467*)

of the professional union leaders seeking to organize the industry, and on the other hand to what the company can reasonably pay with due regard both to its social conscience and its obligations to its stockholders, 41 per cent of whom own ten shares or less, 81 per cent of whom own 50 shares or less, more than 91 per cent of whom own not more than 100 shares.

As Dr. Alexis Carrel observes in his frank and popular book, the progress of mankind is due preponderantly to the intelligence, imagination and energy of a small minority of superior beings—scientists, engineers, business men. That is no doubt true—but every adult citizen has a vote and our superior beings—including those who manage the destinies of General Motors—must swim with the tide. These are changing times. The chances are that General Motors will have to make further concessions to labor, whether John L. Lewis wins his organization drive or not, in coming years.

Yet there is no apparent probability of any nearby labor crisis in the motor industry. Moreover, though it may be somewhat speculative, we venture the opinion that General Motors very likely will be able to adjust itself to such labor problem as may develop, without undue hardship to stockholders. This is a flexible, intelligently managed company. It has made innumerable internal adjustments before, as circumstances required, and can make them again. The profit and sales record over twenty-seven years would seem adequate proof thereof.

Above we have discussed some aspects of General Motors not usually covered in routine financial analyses. This corporation's strong financial position—working capital $319,961,000, against $251,288,000 in 1929; cash items $199,436,000, against $127,352 in 1929—its products, its operating divisions and the personalities of its chief executives are so well and favorably known that they require scant reiteration here.

Bearing upon the future, the growing diversification of General Motors and its strong position in the foreign markets are decidedly important. Some of its best known non-automotive products are Frigidaire refrigerators, which top the refrigerator market as decisively as General Motors cars top the motor market; Delco electric and gas plants; Winton-Diesel engines; a variety of domestic, commercial and industrial heating plants and air-conditioning equipment; electric fans; Diesel electric locomotives; vacuum cleaners; electric water pumps and systems; electric motors; die castings and die casting machines; bicycles; flexible electric cords; power transmission units; rubber moulded products and rubber cement; stampings and commercial tools.

Sales and profits being reported on a consolidated basis, there is, of course, no official information as to the relative positions of the above activities in relation to the aggregate volume and the profits derived therefrom. The Frigidaire division, however, can safely be assumed to be the most important non-automotive product at present. It may not always be so, for the General Motors research organization, headed by the world famous Charles F. Kettering, is working ceaselessly in the intelligent promotion of obsolescence through unearthing new products, new processes, new methods and through the improvement of existing products and methods. The corporation at present is adding 300,000 square feet of floor space to its laboratory facilities at Detroit.

Probably not even Mr. Kettering could tell you what may emerge from this research over the next decade—whether automobiles so radically improved as to insure a huge replacement market indefinitely, whether a motor fuel far more efficient than any now available, whether some startling development in the field of the Diesel engine or that of air-conditioning, whether some discovery not even dreamed of at present. Research is an exploration of the unknown—hence its fruits are unpredictable.

It is commonly stated that only half of the General Motors profits derive from the manufacture of motor vehicles, but the statement is somewhat misleading, for in addition to the non-automotive products, activities related to the motor industry—such as the financing and insurance of cars and the manufacture of motor accessories for the trade as well as for itself—contribute to earnings. Hence, whatever the importance of the non-automotive lines, the motor field will for an indefinite time be the backbone of this enterprise.

Unit sales of General Motors cars in foreign markets reached a new all time high last year at 284,281, although its dollar value of $248,088,354, or about 21 per cent of total sales, was slightly under the previous high reached in 1928. In the latter year virtually all of this business represented exports from the United States. In recent years, however, the company's foreign manufacturing operations have been greatly enlarged, as dictated by present nation-

alistic world trade conditions, and such foreign manufacture last year contributed 52.6 per cent of the corporation's foreign sales. Its most important foreign subsidiaries are Vauxhall Motors, Ltd., of Great Britain; and Adam Opel A. G., of Germany. Each of the past several years has seen new high records in total sale of automobiles in Germany and in Great Britain. The Adam Opel subsidiary's sales have multiplied five-fold since 1932, amounting last year to 102,765 units, accounting for 43.9 per cent of the total German market for motor vehicles. Sales by Vauxhall Motors last year increased to 48,671 units. Profit of $4,705,000 earned by the German subsidiary last year is meaningless to the American stockholder for the present because of exchange transfer restrictions.

Not consolidated with General Motors in accounting, but included in the total of $245,641,000 of investments, are the General Motors Acceptance Corp.; General Exchange Insurance Corp.; Yellow Truck & Coach Manufacturing Co., a leader in the bus and truck field; an interest of 29.5 per cent in North American Aviation, Inc.; a 25 per cent interest in the Bendix Aviation Corp. and a 50 per cent interest in the Ethyl Gasoline Corp., in addition to Vauxhall Motors and Adam Opel as cited above.

All of which means what to the General Motors stockholder? Well, there are 43,500,000 shares of the common stock outstanding, preceded by only 1,875,366 shares of $5 cumulative preferred stock. Looking at this huge and widely distributed common stock capitalization—brought about as a matter of public relations—one must conclude that the days of fat stock dividends, of stock-splits and of frenzied market gyrations are probably over for some time to come, if not forever. The stock has had a range of only 17⅛ points this year — high 71, low 53⅞ — as contrasted with a range of about 35 points in the more volatile Chrysler. Both in the fundamentals of its position and the relative stability of the equity marketwise, the stock partakes of investment characteristics.

Report for the second quarter, soon to be issued, is expected to show earnings around $2 per share, bringing half-year net probably moderately above $3. On present indications it may be possible for the company to show from $4.50 to $5 for the year. The regular dividend is $2 a year and one extra of 75 cents has been paid this year. Should no further extra be paid, the company will be subject to a surtax on undistributed earnings of something between $9,000,000 and $14,000,000, depending on the year's earnings. Partly for this reason, but mainly because its financial position appears virtually impregnable and because the record of recent years indicates a policy of paying out from upward of 60 per cent to 75 per cent of earnings in dividends, a further extra in the near future may be predicted with considerable confidence. Hence, it is likely that total payment on the common this year will be at least $3 and possibly $3.50.

The stock around present price of 70 is quoted at what this analyst believes is less than 15 times likely earnings per share for the year and on a $3 distribution for the year would yield nearly 4.3 per cent return and 5 per cent should the distribution be $3.50. On either basis we conclude that distinct investment merit attaches to the equity.

National Power & Light Co.

(Continued from page 481)

that inasmuch as the bulk of revenues are currently being derived from two principal properties, that the ultimate effects might not be unduly serious, even in the event that the constitutionality of the Act is upheld.

A number of the company's properties come within the scope of T V A influence but at the present time these properties account for only a minor portion of total net income. The Houston Lighting & Power, serving an important area in Texas, and the Pennsylvania Power & Light, located in the industrial region of Pennsylvania, together account for 85 per cent of the net income of National Power & Light. In the case of the latter subsidiary, expansion in output has enabled it largely to nullify recent rate reductions.

Capitalization of National Power & Light comprises subsidiary funded debt of $243,024,000, subsidiary preferred stock and minority interest of $96,084,500 and parent company funded debt of $24,500,000, followed by 279,713 shares of $6 cumulative preferred stock and 5,456,117 common shares.

In the full year 1935, the company earned 85 cents a share on its common stock and a similar amount was earned in 1934. In the three months ended May 31, last, operations showed considerable improvement over a year earlier, net for the period being equivalent to 25 cents per share on the common stock, as compared with 20 cents in the same period of 1935. For the twelve-months period ended May 31, last, net income was equal to 88 cents per share for the common as compared with 83 cents in the same period a year previous. On the basis of the most recent showing, the 60-cent dividend now in effect on the common stock appears to be covered by a sufficient margin to assure its safety and the shares, recently quoted around 12, offer a fair return plus the promise of gradual price appreciation—and more substantial gains should the public Utility Act be declared invalid next year.

France's New Deal

(Continued from page 467)

of the workers, the most energetic, the best disciplined.

As a coalition, in spite of its anti-fascist sentiment, the new government is not bellicose, for a sense of political realities, as sure as that which led the Premier to postpone devaluation, must also lead him to avoid all wars. At the first gunshot, a movement of the nationalist parties of the right would sweep out of office the internationalists, even if the action required a change of political institutions. Monarchist propaganda is being heard. Even Napoleonic pretendents are spending money to make their voices register. The suspicion of foreign influences which is always most acute when the economic situation is most serious has sprung up

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, July 13	87.21	161.35	51.01	130.24	128.72	1,435,000
Tuesday, July 14	87.47	162.80	52.67	131.93	129.80	1,659,350
Wednesday, July 15	87.41	163.24	52.46	132.48	130.81	1,978,044
Thursday, July 16	87.42	163.64	52.71	132.81	130.98	1,481,150
Friday, July 17	87.41	163.55	52.91	133.56	131.66	1,555,460
Saturday, July 18	87.51	164.42	52.87	132.80	131.96	557,170
Monday, July 20	87.52	164.43	53.01	133.57	132.26	1,424,280
Tuesday, July 21	87.50	165.23	53.44	134.74	132.45	1,584,970
Wednesday, July 22	87.35	164.49	52.90	134.60	132.59	1,453,350
Thursday, July 23	87.46	164.61	53.23	133.52	132.08	1,336,750
Friday, July 24	87.49	164.37	53.21	133.93	132.74	1,320,950
Saturday, July 25	87.44	165.56	53.31	134.17	133.32	611,840

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	70	73
Canadian Celanese	27	29
Climax Molybdenum (.80)	44⅛	45⅛
Columbia Broadcasting "A" (2)	53½	55¼
Crowell Publishing Co. (*2¼)	52½	55½
Dictaphone Corp. (2.75)	53½	56½
Draper Corp. (*4)	68	70
Mercke Co. (.40)	29	31
National Casket (3)	47	50
Northwestern Yeast (8)	77	81
Scovil Mfg. (1)	32¼	33¾
Singer Mfg. Co. (*11)	347	350
Trico Products (2.50)	41½	43
Wilcox & Gibbs	25	35

PUBLIC UTILITIES	Bid	Asked
Alabama Power Pfd. (7)	80	82
Carolina Power & Light Pfd. (7)	100	....
Central Maine Power Pfd. (7)	78	81
Columbus Rwy. Pwr. & Lt. Pfd. (6)	111	112
Consumers Power Pfd. (6)	106	107
Jersey Central Pwr. & Lt. Pfd. (7)	98	100
Kansas Gas & Electric Pfd. (7)	112¼	114
Kings Co. Ltg. Pfd. (7)	99	101
Long Island Ltg. Pfd. (7)	93	95
Nebraska Power Pfd. (7)	111½	....
New Jersey Pwr. & Lt. Pfd. (6)	105½	....
Nor. States Pwr. Pfd. (7)	93	96
Pacific Power & Light Pfd. (7)	88	89
Tennessee Elec. Power Pfd. (6)	69½	70⅜
Tennessee Elec. Power Pfd. (7)	79½	80⅜
Texas Power & Light Pfd. (7)	107½	109½
Utica Gas & Elec. Pfd. (7)	92½	94½

TELEPHONE & TELEGRAPH	Bid	Asked
American Dist. Tel., N. J. (4)	119	123
Mountain States Tel. & Tel. (8)	139	143
Northwestern Bell Pfd. (6½)	117½	119
Peninsular Telephone (.60)	18⅜	20
Southern New England Tel. (6)	154½	156½

* Includes extras.

in France and has found the most varied assortment of victims: the striking Polish land workers in the north, the commuting Belgian factory hands along the border, the occasional enthusiast who displays the hammer and sickle flag without having added an incongruous "R. F." to give the still unaltered republic its due. That crowning incongruity, a nationalistic communist party, has been founded by the mayor of St. Denis, Jacques Doriot, who may be making his own bid for the dictatorship by attempting to reconcile the proverbial patriotism of the French with the now dominant creed of the industrial suburbs.

The attitude of this new party, and of the present government, toward the empire, is one of friendly co-operation which is only intermittently discouraged by the recurrent disciplinary massacres of rioting natives in Syria, race riots in Constantine, and widespread unrest in Morocco. There is a more humane official attitude toward the colonies. And again the human element may be for abiding economic good. In normal times the French empire takes about 20 per cent of French production, about half of French exports. By risking a little capital in the overseas domain, native buying power may be increased at the same time that political discontent is lulled.

The idea is not foreign to the inflationist program. It would brighten up French futures. Then, eventually, as a political expedient, with prices up enough to conceal some of the effects of inflation, with tourists waiting to pour in for the 1937 Exposition, with world improvement a little further ahead, devaluation may then be feasible on some now incalculable parity with the pound sterling and the dollar.

Significant Foreign Events

(*Continued from page 469*)

000 for 1938. The figures tell their story—a national birthright sold for a Swastika.

☆ ☆ ☆

China and Japan—Ne'er the Twain Can Meet

It seems evident at this stage that China, regardless of the conflict of ambitions between her various warlords, will in the end unite against Japan. The rapid construction of motor roads and aerodromes is already an essential factor in cementing by closer communications the rift in factional strive. China, however, faces two enemies: the Japanese invader and the Soviet intruder. The Chinese reds, according to conservative estimates, in the northwestern provinces, are numerous, constituting a small communistic state, until now impregnable to attack. North Chinese communists wheedle Marshall Chang-kai-Shek—advocate common action to check the Japanese invasion. But Soviet attempts to play on national feelings have received an unsympathetic response. The regeneration of China is being fostered by the re-establishment of the clan system of society as a weapon against the sovietization of the population. The central government recognizes that ancient Chinese philosophy is incompatible with any form of Marxism, and hence temporarily utilizes Soviet prestige and Soviet military aid in the struggle against the advancing Japanese. Modern nationalism recognizes that Japan with its acquired European civilization would be more fatal to Chinese culture than a less militant communism. Thus, in a larger sense the conflict between the two yellow nations is in reality not a national struggle, but the clash of two Eastern philosophies traditionally and unequivocally opposed.

Happening in Washington

(*Continued from page 457*)

throwing election into House of Representatives.

Nevertheless, there is concern over the continued strength of the Townsend movement in face of efforts of House committee to expose it as a racket; also continued faith in wealth-sharing and commodity dollar or similar forms of credit control. These ideas are not dying in spite of New Deal overtures in their direction and general business upturn.

Trade practice code re-enters the business vocabulary, as trade associations revive pre-N R A interest in offer of Federal Trade Commission to co-operate in standardizing trade ethics and practices by voluntary agreement as far as is possible under anti-trust laws. Dormant for several years, this procedure is being eyed by many groups. Latest is petroleum marketers which filed a set of rules for F T C approval last week.

Reciprocal tariff bargaining will be stoutly defended by administration, irked by political capital made of protective duty reductions it has produced. From standpoint of disinterested economics, this program stands up in conception and administration better than most any other New Deal achievement.

Mementoes of regimentation at its highest point go on the auction block as Treasury sells defunct potato tax stamps, printed but never used under Warren law to control spud output. When Supreme Court threw out A A A the New Dealers took the hint and repealed this and similar cotton and tobacco control acts. Apply to your stamp collector for souvenir of battle of New Deal versus Constitution.

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